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CORRIGENDUM
This document corrects document SWD(2026)226 final of 03.06.2026.
Addition of 2 sentences in Annex 9.
The text shall read as follows:

**COMMISSION STAFF WORKING DOCUMENT**

**2026 Country Report - Finland**

***Accompanying the document***

**Recommendation for a COUNCIL RECOMMENDATION**

**on the economic, social, employment, structural and budgetary policies of Finland**

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European Commission

Economic and Financial Affairs

# Finland

## 2026 Country Report

www.parlament.gv.at

# ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

## The economy is set to revive from stagnation but growth potential remains constrained

**Finland's economy is emerging from stagnation and is expected to transit to a more broad-based growth in 2026.** After a decline in 2023, and a small rebound in 2024, real GDP grew only marginally in 2025. This subdued economic performance is mainly explained by a decline in private and public consumption in the context of low consumer confidence, which has offset gains from increased exports and investment. Weak economic activity has resulted in rising unemployment and at the end of 2025, Finland's unemployment rate stood at 10.3%. While this was the highest in the EU, the recent increase in unemployment partly reflects an increase in labour force participation while the employment rate has held up relatively well. Given the uncertainty about the economic situation, households saved more and were more careful with larger purchases, such as buying apartments (see the paragraph on household indebtedness and the housing market below and Annex 16). In 2026, the economy is set to resume an expansion driven by domestic demand.

**The subdued economic conditions have had an impact on public finances.** Public debt has continued to rise, and the deficit has remained large, despite the government's efforts to stabilise the debt ratio via spending cuts and revenue increases. The government debt-to-GDP ratio is projected to breach 90% in 2026.

**The growth potential suffers from rapid ageing and depends on migration into the workforce.** Over the past 10 years Finland's population has increased by around 17 300 people a year on average and the total population rose to 5.65 million in 2025. This increase was solely driven by net migration which accounted for roughly 27 400 people per year in 2015-2025, while the natural population change was negative as the population ages and there are fewer newborns. A large part of the immigration in the 2020s has come from Ukraine, and immigration is expected to decrease from the peak of 2023-2024 in the coming years. Across the country, the population growth is concentrated in urban areas, whereas rural areas are shrinking (see Annex 18). These demographic changes are reflected in the labour market. Since 2010 employment growth has been driven by an increase of foreign-born employees while the number of Finnish-born employees has declined, as the Finnish baby-boom generation started to reach their retirement age.

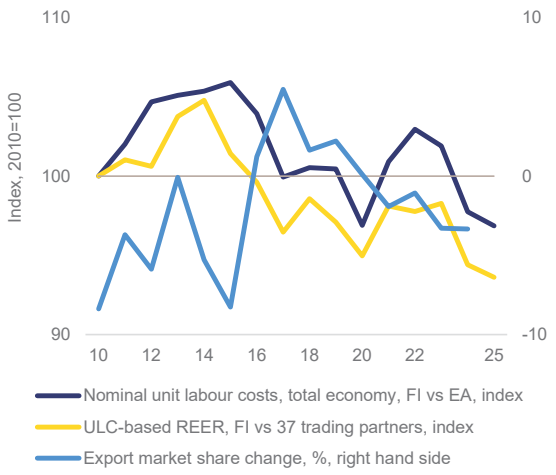
## Cost competitiveness is gradually improving

**Cost competitiveness has improved.** Since 2020, Finland has been progressively losing export market shares against advanced economies (Graph 1.1). This, however, does not seem to be related to Finland's ability to compete on prices. Finland's average wages relative to output per worker compared with the euro area or the same indicator also taking into account the impact of exchange rate changes, compared with 37 industrialised trading partners, have improved and reached their most advantageous levels since 2020 ([1]).

([1]) There was a temporary deterioration in average wages between 2021 and 2023, caused by shocks in oil refinery and forest industry prices.

Finland's labour productivity growth has been slower than in peer countries (see Section 2). As nominal unit labour cost indicators are trending lower relative to peers, it appears that wage growth has not exceeded weak productivity growth. However, the continued contraction of export market shares, therefore, points to challenges with non-cost competitiveness such as low economic activity in Finland's traditionally important export destinations and the lack of new innovative export products for which demand is growing.

Graph 1.1: **Cost competitiveness indicators (2010=100) and export market share change (%)**




***Source:*** European Commission

## Household indebtedness is easing amid a contracting housing market

**The housing market is going through a contraction, and households are paying off debt more than borrowing.** A large majority of household mortgages are tied to variable market interest rates. Following high inflation in 2021-2022, tighter monetary policy led to a significant rise in reference market interest rates. Tighter lending conditions coupled with a decrease in consumer confidence due to Russia's war of aggression against Ukraine led to a falling number of purchases and lower house prices. At the same time, construction costs increased. This, together with lower house prices, led to lower incentives for promoters to start new projects and hence low construction activity. On average, house prices are currently some 10% lower than in their peak in 2022 and construction activity is close to historically low levels (see Annex 16). As a consequence, household indebtedness has eased recently. The household credit-to-GDP ratio reached 58.5% in 2020 and has declined to 51.3% of GDP in 2025-Q2, still above the EU average of 43.3%. The outstanding household debt stock has declined in 2023-2025 as households have amortised loans more than drawn out new loans. (see Annex 6).

## Fiscal challenges persist

**Finland's public finances are strained by low GDP growth and a persistent discrepancy between revenues and expenditure.** Weak GDP growth since 2023 contributed to the increase in the general government deficit over 2023-2025. This was caused by limited revenue growth from consumption and income taxes, and by faster expenditure growth due to higher social transfers and costs related to the 'wellbeing services counties' launched in 2023.

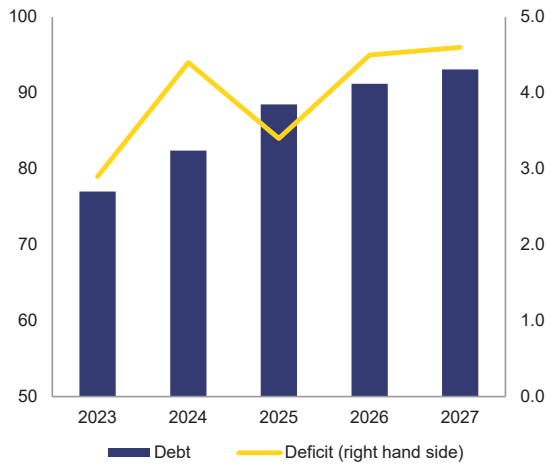
**The government implemented a sizeable consolidation programme in 2024 and 2025, which did not suffice to stabilise public finances.** As a result, the excessive deficit procedure was opened in January 2026. Finland requested and obtained the activation of the 'national escape clause' to accommodate the planned increase in defence expenditure ([2]), which will nevertheless require a reprioritisation of public spending looking forward. The Ministry of Finance estimates that stabilising public finances will require a consolidation effort for an amount of EUR 8-11 billion (around 2.7%-3.7% of GDP) over the

([2]) Council Recommendation of 8 July 2025 allowing Finland to deviate from the maximum growth rates of net expenditure as set by the Council under Regulation (EU) 2024/1263 (Activation of the national escape clause)

next parliamentary term, which starts in 2027 ([3]).

**Government debt approached 90% of GDP in 2025, up from 77% in 2023.** The general government deficit declined to 3.4% of GDP in 2025, largely because of the impact of revenue-increasing measures such as the increase in the VAT rate implemented in late 2024 and modest expenditure growth (Graph 1.2). The Commission Spring 2026 Forecast projects that the deficit will reach 4.5% of GDP in 2026 and 4.6% of GDP in 2027. Public debt is expected to increase from around 88.5% in 2025 to 93.1% in 2027, mostly due to high and persistent general government deficits.

Graph 1.2: **Public deficit and debt, % of GDP**




***Source:*** European Commission

**The Finnish government implemented sizeable consolidation measures, mainly on the expenditure side, to stabilise public finances, followed by tax reductions to stimulate growth.** Finland has the highest public expenditure-to-GDP ratio in the EU, at 57.2% in 2025. Between 2023 and 2024, the government decided a consolidation programme of EUR 9 billion (around 3% of GDP), taking effect from 2024 onward. The package included a mix of lower expenditure, tax increases, and employment measures expected to increase revenues by EUR 2 billion. In spring 2025, the government decided to implement personal income tax cuts worth around EUR 1 billion (around 0.3% of GDP) and corporate income tax cuts worth around EUR 830 million.

**The 2026 budget plans further consolidation measures worth EUR 1 billion.** The unfavourable macroeconomic situation has likely reduced the fiscal impact of some of the measures implemented during the government term, particularly those supposed to increase employment. Overall, the government's policies have strengthened public finances, but did not stabilise general government debt ([4]).

**Reforms to the national fiscal framework further contribute to consolidation efforts.** Public investments were supported by an investment programme worth EUR 4 billion to be implemented during the current parliamentary term, financed mainly through property income and focusing on transport infrastructure. In December 2025, the parliament approved a new fiscal framework introducing a long-term debt anchor of 40% of GDP, a target for the four-year electoral cycle and a target for the eight-year super-electoral cycle covering central and local government, which will come on top of the EU fiscal rules.

**The Economic Policy Council was designated the independent fiscal institution in charge of EU-related tasks.** Here it replaced the National Audit Office of Finland on 1 January 2026, including for monitoring compliance with the EU fiscal rules and with other national fiscal targets and for endorsing of national macroeconomic forecasts.

**Finland is increasing its defence expenditure.** Finland is planning to increase its defence expenditure to 3% of GDP by 2029 ([5]), up from 2.4% in 2024 ([6]). The budget

([3]) See: Target for general government finances for the parliamentary term 2027–2033

([4]) See Economic Policy Council Report 2025

([5]) See General Government Fiscal Plan for 2026–2029. The defence expenditure target follows the NATO definition of defence expenditure, which differs from the one used in national accounts.

([6]) Defence Expenditure of NATO Countries (2014-2025) | NATO News

for 2026 includes EUR 6 billion of new procurement for purchases of defence materiel, with the related expenditure taking place in the early 2030s. Following the Commission's assessment of Finland's national defence investment plan, the Council adopted a decision to make financial assistance of up to EUR 1 billion available to Finland through the Security Action for Europe instrument. Meanwhile, as part of the mid-term review of the cohesion policy programme, Finland re-directed EUR 310 million of the existing programme funds to defence capabilities and military mobility.

**Spending reviews are a key tool to improve the efficiency of public expenditure, especially in a context of tight finances and low growth.** In 2025, the Commission recommended that Finland make its public spending more efficient by taking into account the results of the spending reviews. Finland has already implemented spending reviews in the past, notably the review from 2023 which proposed measures that were then included in the government programme. In 2024, the government established annual targeted spending reviews and confirmed a new comprehensive review ahead of the elections in 2027 ([7]). The first targeted reviews and the comprehensive review are currently under preparation.

**Identifying inefficiencies in the social security system could help reduce public expenditure.** In 2025, the Commission recommended that Finland pursue the reform of the social security system to increase the efficiency of the social benefits system, improve incentives to work and support the long-term sustainability of public finances, while addressing the needs of the vulnerable groups. At 26% of GDP, Finland's social security protection expenditure exceeds the EU average (19% of GDP).

**Planned reforms aim to simplify access to social benefits and intensify the job-seeking obligations for accessing social assistance.** The government has implemented sizeable cuts to social security, and in 2025 the parliament approved the reform of the general social security benefit and the comprehensive reform of social assistance, both taking effect in 2026. These two reforms are expected to improve the efficiency of the Finnish social security system and to improve incentives to work. However, their impact on work incentives and fiscal sustainability does not yet seem particularly sizeable ([8]). Moreover, the cuts to social security appear to have affected vulnerable groups more than previously thought ([9]) (see Annex 12). Cuts in the wellbeing services counties' expenditure have improved fiscal sustainability, but weaknesses in providing social and healthcare services affecting vulnerable groups remain (see Annexes 12 and 15).

**The pension system in Finland is adequate, but there is scope to increase the use of supplementary pensions.** Social contributions and investment income exceed statutory pension payments, resulting in consistent surpluses of pensions funds. At the same time, supplementary pensions have a marginal role, which could be increased in view of declining replacement rates (see Annex 2).

## Finland adapts to geopolitical changes

**Finland's eastern border regions face serious challenges hindering the**

([7]) Ministry of Finance, Ministry of Finance launches regular expenditure and structural review process - Ministry of Finance

([8]) Of the two reforms, the one with the largest impact is the comprehensive reform of social assistance, which is expected to generate EUR 70 million in fiscal savings and increase employment by 1 200 workers (without taking into account further behavioural effects). See: Finnish Government, Changes to social assistance to take effect on 1 February 2026 - Finnish Government

([9]) Finnish Government, Memorandums assessing combined impacts of Government's social security changes now published - Finnish Government

Box 1: **UN Sustainable Development Goals (SDGs)**

While generally performing well in productivity-related indicators (SDGs 4, 8 and 9), Finland is moving away from its objectives in decent work and economic growth (SDG 8) and quality education (SDG 4). Most notably, these trends are underpinned by an increase in the unemployment rate and lower GDP per capita, however with a strong industrial and innovation environment.

Finland is overall improving in SDGs related to environmental sustainability, showing progress in clean water and sanitation (SDG 6) and climate action (SDG 13). Only 4 out of 17 SDGs remain below the EU average. These relate to environmental sustainability (SDGs 7, 12 and 14) and macroeconomic stability (SDG 17).

**economic and social development prospects** ([10]). The border closure with Russia since 2023 has weighed on border regions' businesses, particularly in retail, transport and tourism, manufacturing and forestry (see Annex 18). These challenges have come on top of the existing structural weaknesses of the regions, including an uneven sectoral composition and limited economic diversification ([11]), negative demographic trends ([12]), higher unemployment, lack of quality jobs, and difficulties to access services due to vast geographical distances (Annexes 11, 12 and 18). Further policy action at national and European level could improve the social cohesion, security and competitiveness of the eastern border regions, which have strong strategic importance for Europe as a whole.

**Finland faces economic security challenges due to its reliance on global value chains and certain structural dependencies.** As a small, open economy that is specialised in producing advanced manufactured products, Finland is reliant on global value chains. Finland is dependent on maritime transport, it has energy-intensive economic structure, and long transport distances. While Finland produces several critical raw materials, it is also dependent on imports of certain materials more than an average EU Member State (see Annex 5). These underline the country's challenges in securing its critical economic flows.

**Finland had a high level of cyber threats and hybrid disruptions.** It had the EU's highest percentage (42.2%) of enterprises experiencing ICT security incidents with consequences in 2023 ([13]). The series of hybrid incidents affecting subsea critical infrastructure in the Baltic Sea Region also demonstrate the vulnerability of the critical infrastructure for carrying data, gas, and electricity ([14]). Thus, it is important for Finland to continue developing its capabilities to prevent, mitigate, react and adjust to possible disruptions (including cyber and hybrid disruptions) to critical infrastructure that are vital for the economy.

**EU funding instruments provide considerable resources to Finland**. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, quality jobs, social fairness and security, while helping to address challenges identified in the Country Specific Recommendations (CSRs). Key instruments include the Recovery and Resilience Facility (see Box 2) and Cohesion policy funds (see Box 3). In addition, the Common Agricultural Policy (CAP) provides Finland with an EU contribution of EUR 4.4 billion under the CAP strategic plan

([10]) The Commission's 2026 Communication on the EU's eastern regions bordering Russia, Belarus and Ukraine defines eastern border regions as NUTS 2-level areas that are geographically proximate to Russia, Belarus, or Ukraine.

([11]) OECD: Transition Strategies for Finland's Eastern and South-Eastern Border Regions (EN)

([12]) The working-age population has fallen by 6% between 2019-2024, and domestic net migration runs at -5,5% relative to 2007 population levels

([13]) Eurostat (2025)

([14]) Hybrid CoE Working Paper 32, 2024

for 2023-2027 ([15]). A further EUR 381.4 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the Border Management and Visa Instrument (BMVI) and the Internal Security Fund (ISF). Other EU programmes also support competitiveness in Finland, for instance through open calls under Horizon Europe and the Connecting Europe Facility.

Box 2:

### Key achievements of the Recovery and Resilience Facility (RRF)

Finland's Recovery and Resilience Plan (RRP) represents a total investment budget of **EUR 1.95 billion** (corresponding to **0.8% of its 2023 GDP)**, aimed at (i) supporting the green and digital transitions, (ii) strengthening economic resilience, and (iii) addressing long-standing structural challenges identified in the European Semester.

As of **27 April 2026, EUR 1.1 billion** (**58%** of the total allocation) has been disbursed following the satisfactory fulfilment of 69 milestones and targets. Implementation has progressed steadily, with a growing number of reforms and investments already fulfilled and delivering tangible results on the ground.

Finland also benefits from RRF investments in other Member States. Taking these spillover impacts into account, the RRF is estimated to increase Finland's GDP by EUR 3.65 billion from 2020 to 2030, almost double the size of its initial allocation.

**Highlights and impact of the plan**

- **Clean energy infrastructure and technology investments** correspond to a combined increase in new renewable energy capacity, storage capacity and/or grid connection capacity of at least 288 MW.
- **Entry into force of the revised Climate Act**, including **emission-reduction targets** for 2030 and 2040 in line with Finland's carbon-neutrality goals.
- **Transition towards a Nordic model of employment services includes** introducing more personalised services and job-seeking obligations for jobseekers. Together with other labour market measures it has led to 421 500 more people in employment or engaged in job search activities.
- **Reform of continuous learning and investments in education** aimed at developing the relevant skills of the labour force have led to 56 600 more people in education or training.
- **A series of investments in research, development and innovation** are contributing to Finland's goal of increasing total spending on R&D to 4% of GDP by 2030. Total of 2 557 enterprises (most of which are SMEs) have received support under all the Finnish RRF measures.
- **The expansion of digital social and health services** has made it easier to access these services, with the proportion of individuals aged 20 and over using e-social and e-healthcare services increasing from 25.8% in 2020 to 41.9% in 2024.

([15]) An overview of Finland's formally approved strategy to implement the EU's common agricultural policy nationally can be found at https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/finland_en

Box 3:

## Contribution of cohesion policy funds

**EU cohesion policy funding is supporting Finland's efforts to boost competitiveness, environmental sustainability, skills and social fairness.** In the 2021-2027 programming period, EU cohesion policy funds ([16]) are providing EUR 1.9 billion (amounting to EUR 3.17 billion paired with national co-financing) to Finland. The value of selected projects corresponded to 63% of the total allocation as of March 2026, with additional calls for projects in the pipeline.

- **Innovation, business environment and productivity.** With EUR 520 million, the European Regional Development Fund (ERDF) aims to increase the productivity and competitiveness of Finnish firms and improve the business environment through the promotion of research, development and innovation capabilities, the adoption of new technologies and the acceleration of growth of SMEs across regions. To date, the ERDF is helping over 5 500 SMEs to strengthen their business.
- **Decarbonisation and sustainability.** EUR 225 million from the ERDF is focused on supporting innovation for the green transition, e.g. by helping SMEs introduce new products and by improving energy and resource efficiency. With EUR 465 million, the Just Transition Fund supports the transition away from peat by diversifying regional economies, re-skilling and upskilling the workforce, and remedying adverse environmental impacts.
- **Skills, quality jobs and social fairness.** EUR 162 million of ESF+ funds are invested in employment promotion, and another EUR 162 million in re-skilling and upskilling the labour force. EUR 139 million is allocated to increasing social inclusion, specifically on preventing intergenerational exclusion and poverty and EUR 29 million is allocated to alleviating material deprivation. EUR 29 million is invested in reforming child protection services. Almost 90 000 people had benefited from the programme by end of 2025.

The mid-term review ([17]) increased cohesion policy's contribution to emerging strategic priorities. Nearly EUR 180 million of the existing EU resources were reallocated for defence purposes, particularly for military mobility along the EU's main corridors and networks and strengthening industrial capacities to boost defence capabilities.

([16]) The European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the Just Transition Fund.

([17]) The mid-term review is carried out halfway through the 2021-2027 programming period. It is a formal assessment process required under Article 18 of the Common Provisions Regulation that aims to assess the implementation of programmes and, where necessary, propose adjustments to improve their performance, ensure their relevance in light of new and emerging needs and keep them aligned with other EU policies.

# INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

**In 2025 the Commission recommended that Finland pursue the R&D target of 4% by 2030 and improve the commercialisation of innovation by (i) stepping up the cooperation between businesses and academia through joint industry-university projects, and (ii) improving the entrepreneurship skills and support for researchers.** Finland has several instruments in place to help fund R&D efforts of firms and R&D collaboration between academia and industry. However, progress in this direction has been limited, and there is no comprehensive strategy to increase researchers' entrepreneurial skills.

**Finland is progressing toward the R&D expenditure target, but public funding for innovation was reduced.** Business Finland's funding for innovation activities other than R&D has been cut, which may slow progress in improving the commercialisation of innovation. Moreover, the government budget for R&D has been slightly reduced in absolute value, in line with a downward revision of GDP forecast. Relative to GDP, public funding for business innovation is low by international standards: R&D tax incentives were introduced only in 2024 and their effects remain to be seen. On the positive side, Business Finland total funding has been increasing, and the state-owned investment company, TESI, has received a better mandate to make minority investments in startups.

## Finland maintains its position as innovation leader

**The Finnish economy produces high-quality research, has a high level of digitalisation, and is well positioned to benefit from AI.** Finland ranks fourth in the European Innovation Scoreboard 2025 at 125.3% of the EU average ([18]). It ranks first in the EU in categories related to individuals with above-basic overall digital skills, employed ICT specialists, percentage of firms using cloud computing, and population involved in lifelong learning. Other strengths include international scientific co-publication, venture capital expenditure, and public-private co-publications (see Annex 4). Finland is well positioned to take advantage of AI technologies, with a relatively high percentage of AI-complementary workers compared with other European countries ([19]).

**R&D expenditure continued increasing despite the unfavourable economic situation, in line with the country-specific recommendation received in 2025.** R&D expenditure, as a percentage of GDP, has shown an upward trend since 2017, reaching 3.22% of GDP in 2024, around 1 percentage point above the EU average ([20])([21]), though with notable regional differences (see Annex 18). Most of R&D expenditure came from the business sector (2.2% of GDP in 2024), followed by the higher education sector (0.8%). Manufacturing accounted for 60% of business R&D expenditure in 2024.

**Finland has a thriving startup scene focused on software production, and an advantage in deep tech.** Finland has more than 4 000 startup companies founded after 2010 of which 2 000 are early-stage startups,

([18]) 2025 European Innovation Scoreboard, country profile: Finland.

([19]) IMF Country Report No. 26.7, selected issues, Finland: Selected Issues

([20]) Eurostat, rd_e_gerdtot

([21]) Preliminary data from Statistics Finland show a value of 3.29% of GDP (R&D expenditure (EUR million) by year, sector and information. PxWeb)

generating revenues totalling around EUR 12 billion ([22]). In 2023, software firms accounted for 50% of newly-created startups ([23]). Deep-tech firms in areas such as advanced materials, computing, energy technologies and life sciences are growing ([24]). Overall, high-growth enterprises (including those less than five years old) accounted for a higher percentage (25.2%) of firms and employment than the EU average in 2023 (16%) ([25]).

## Difficulties in spreading the benefits of innovation to the economy remain

**Scaling-up innovative firms remains a key challenge in Finland.** Access to finance is generally adequate, with a solid banking sector, a well-developed capital market and an active venture capital sector, compared to the EU average. However, domestic venture capital funds are too small to support large later-stage rounds, and initial public offering activities in the Helsinki stock market has been slow in recent years (see Annex 6), resulting in a small and volatile number of scale-up funding rounds, while the number of early-stage funding has been relatively stable since 2019 ([26]). As a result, innovative firms face scaling constraints and may relocate abroad.

**To raise aggregate productivity, more capital needs to flow to the most innovative firms, allowing them to scale up and spread innovation.** In Finland, the osakesäästötili (OST) savings account is a relatively popular product for retail equity investment, but it has a limited scope in terms of investable products (see Annex 6). Increasing the investment options available to retail investors could support channelling additional funds toward innovative firms, as Sweden has done with its *Investeringssparkonto* (ISK) account, which allows households to easily invest in a wide variety of assets ([27]). Reducing the administrative burden involved in investing in the Finnish equity market and making targeted changes to how investments are taxed could also incentivise more foreign investment ([28]). Other growth-friendly tax-related measures could include changing how venture capital ([29]) and dividends from unlisted companies ([30]) are taxed.

**Commercialisation of innovation is still problematic and academia-business cooperation is stalling.** In 2025 the Commission recommended that Finland improve the commercialisation of innovation by stepping up the cooperation between businesses and academia through joint industry-university projects. The percentage of innovation-active enterprises collaborating with universities and research institutions has been declining since the early 2000s until 2022 ([31]), while business funding of higher education R&D has stagnated since 2014 ([32]).

([22]) TESI, Startup Study 2025, Finnish startup ecosystem growing robustly - tesi.fi.

([23]) Ibid.

([24]) TESI, Deep-tech study 2025, Study: Record amount of funding for Finnish deep tech.

([25]) Eurostat, High-growth enterprises and related employment by NACE Rev.2 activity. Eurostat defines high-growth enterprises as having at least 10 employees in the beginning of their growth, and the number of their employees growing by more than 10% per year, over a three-year period.

([26]) TESI, Startup Study 2025, Finnish startup ecosystem growing robustly - tesi.fi.

([27]) Sweden's *Investeringssparkonto* was introduced in 2012, in 2023 held assets for around 30% of GDP, and was used by around 45% of adults. There are no annual or lifetime limits, almost no investment restrictions, and the tax treatment is simple. See New Financial 2025, Designing savings and investment accounts in the EU

([28]) Ministry of Finance, 2025, Growth strategy for the financial sector

([29]) IMF Country Report no 26.6

([30]) The current system is thought to distort investment firms' investment decisions, see ETLA, 2024, The structure of Finland's tax system for unlisted companies is sound – details deserve further consideration

([31]) European Commission, 2025, Support to Finland on improving R&D collaboration between research organisations and the private sector | Research and Innovation

([32]) Eurostat, GERD by sector of performance and source of funds

SMEs in particular struggle to cooperate with universities and research organisations and to access relevant funding instruments ([33]).

**Non-R&D innovation has been cut.** Business Finland's funding dedicated to non-R&D innovation ([34]) has been lowered to 3% of its funding in 2026, down from 10%-12% in 2022-2024. In general, public support for private R&D through direct funding or tax incentives is low in Finland by international standards (see Annex 4). However, both Business Finland and the Research Council of Finland have increased the amount of additional funding targeted at collaboration between companies and research organisation in 2024-2025 and are expected to increase it even further in 2026 ([35]). In addition, SMEs benefit from European Regional Development Fund and, in many regions, also from the Just Transition Fund for their RDI activities (see Annex 18).

**Entrepreneurship skills are needed to turn ideas into products.** In 2025 the Commission recommended that Finland improve researchers' entrepreneurship skills and funding. Improving their entrepreneurship skills of researchers would help them turn the outcome of a research project into a viable business and improve the academia-business collaboration ([36]). Finland has introduced entrepreneurship education at various levels, including a pilot programme in 2024-2027 to modernise doctoral training, increase mobility between academia and business and improve employability across sectors (see Annex 4). Overall, universities have been developing entrepreneurship education largely on their own initiatives. The government is preparing the vision for higher education and research 2040, which is expected to tackle these issues and should be finalised in 2026.

## Low productivity growth remains as a weakness

**Labour productivity growth has been limited since 2010, but it would have been even lower if the sectoral composition of the economy had not changed.** Labour productivity growth oscillated around zero since 2010, following the collapse of the electronics sector ([37]). However, shifts in the composition of the economy supported productivity growth, because even though the size of sectors with low-productivity growth (e.g. professional services, and admin and support activities) increased, this was partially offset by the expansion of high-productivity growth sectors (e.g. ICT, finance and energy) in 2004-2024. If the sectoral composition of the economy had remained unchanged compared with 2004, productivity growth would have been even lower.

**While labour productivity growth in industries shows resilience, it has fallen behind competitors in services.** Labour productivity growth in industries contracted sharply following 2010 but recovered to the 2010 level by 2016 (see Graph 2.1). Industrial productivity was then high and increased relative to peers, until oil and forestry industry-specific shocks brought it down in 2022. At the same time, labour productivity in the services sectors has remained constant throughout the period while it has grown in peer countries. Overall, the economy's average productivity tracks more closely the developments of the services sector, with the industrial sector's percentage of gross value added declining from 23% in 2010 to 20% in 2024.

([33]) Ministry of economic affairs and employment, 2025 - From innovation to growth : Study on the innovation potential of SMEs

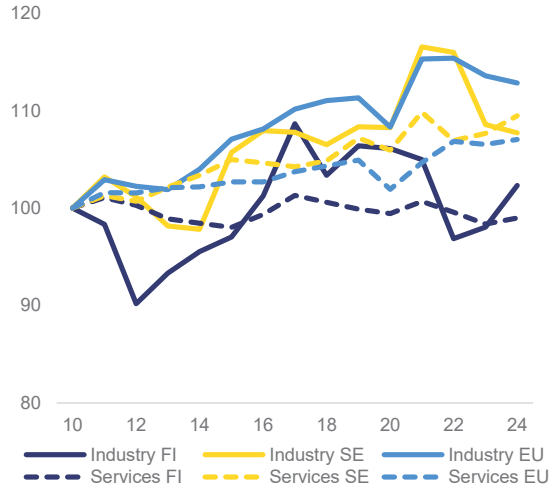
([34]) See OECD, 2028, Oslo Manual for a list of R&D and non-R&D activities.

([35]) Research and Innovation Council, 2026

([36]) European Commission, 2025, Support to Finland on improving R&D collaboration between research organisations and the private sector | Research and Innovation

([37]) European Commission, 2025 Country Report – Finland

Graph 2.1: **Real gross value added per worker (2010=100)**




***Source:*** European Commission

## Finland could benefit more from trade and the single market

**Improving trade integration within the single market could help Finnish firms to increase demand for their products.** In 2023-2025, the percentage of Finnish firms identifying uncertainty and weak demand as the main barriers to investment has increased ([38]), reflecting Finland's recent weak economic performance. Moreover, Finland's export of medium and high-tech products was 66% of the EU average in 2024 ([39]). Increasing trade integration within the EU single market ([40]) (see Annex 5), could help reduce demand uncertainty, increase high-tech exports and develop new EU-based supply chains. At the same time, a high percentage (79%) of exporting firms report facing different regulatory requirements, standards or consumer protection rules across EU Member States (EU average: 62%) ([41]). Therefore, harmonising regulations within the single market would likely support the expansion of Finnish trade within the EU.

**Overall, Finland's business framework conditions are favourable for the single market ([42]).** However, systemic risks related to the misapplication of the in-house exemption (which allows public authorities to award contracts directly to a controlled entity without a competitive tender, provided they exercise control similar to that over their own departments and the entity performs most of its activities for them) mean Finland has challenges in its otherwise well-performing public procurement system (see Annex 5). Moreover, late payments remain a concern in Finland, and action should be taken in particular on the issue of unfair payment practices in business-to-business transactions.

**Finland stands to benefit from a vibrant, internationally competitive domestic defence industry that also integrates new dual-use technologies and solutions** (see Annex 18). The geopolitical situation supports the growth of the defence and dual-use technologies sector, which is rapidly growing in the Nordic region as a hub for growth companies. Finland stands out in financing quantum and space technologies. It leads the Nordic countries in per capita defence and dual-use venture capital investment ([43]). Most new entrants - and the fastest-growing firms - in the Finnish defence industry are dual-use firms whose solutions can be used for both civil and defence purposes ([44]). However, strategic measures are required for them to achieve their potential. Defence-related production should focus on higher value added rather than bulk products. New players need to be helped to get started quickly and they need guidance. Technology development also requires appropriate testing and suitable testing facilities ([45]).

([38]) EIB, EIB Investment Survey 2025

([39]) 2025 European Innovation Scoreboard, country profile: Finland.

([40]) 2025 Country Report – Finland

([41]) EIB, EIB Investment Survey 2025

([42]) See Single Market and Competitiveness Scoreboard

([43]) Danske bank, Nordic defence tech report 2025

([44]) Finnish Industry Investment, Market study on Finnish military product and dual use companies

([45]) Finnish Government, Final Report of the Room for Growth Project

# DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

**Finland adopted an ambitious target for carbon-neutrality by 2035, but the achievement of this target will require additional policy action.** In 2025 the Commission recommended that Finland boost public and private investments in decarbonising industry and transport (including through electrification) to reduce reliance on fossil fuels. The Commission also recommended that Finland invest more in developing green technologies and the circular economy.

**Finland has taken several measures to reduce the reliance on fossil fuels, particularly by increasing investment in renewable energy production.** Finland has made some progress in decarbonising industry, including through investments from the European Regional Development Fund and the Just Transition Fund and by launching several initiatives to attract private investment for decarbonising and electrifying industry. However, it is still too early to paint a complete picture of their impact on developing green technologies, including hydrogen.

**However, there is still room for improvement in the other policy areas identified in the 2025 country-specific recommendation and in the land use sector.** The challenges regarding the decarbonisation of the transport sector remain sizeable and progress has been limited. Some measures have been adopted to support the transport industry, but their impact on transport emissions is not yet visible in emissions data. More efforts are needed to boost the circular economy to address the high waste levels and low recycling rates.

## Challenges to achieving Finland's carbon neutrality target are mounting

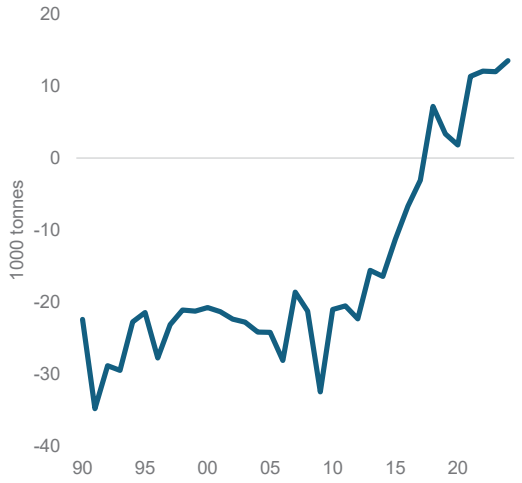
**Despite progress on the recommendation to reduce reliance on fossil fuels, Finland's ambitious target for carbon-neutrality by 2035 is becoming increasingly hard to achieve.** Finland enshrined the 2035 target and other long-term climate targets into law through the revised Climate Act. However, net emissions reductions are not progressing in line with the path required for the achievement of the target. Recent policy announcements include measures in transport and clean energy, and some forest actions such as fertilisation, afforestation and growing denser forests. These measures are not projected to close the gap for Finland to meet its land use, land-use change and forestry (LULUCF) obligations for 2030 and for the greater carbon sink needed to support reaching the 2035 carbon-neutrality target.

**Agriculture is still a major source of greenhouse gas emissions, in particular from drained peatlands.** Only 11% of agricultural land is on peat soil, but farming on peat soil accounts for over half of agricultural emissions, contributing to the overall weakened situation of the LULUCF net carbon sink.

**Finland's forests have traditionally been a major contributor to the carbon sink, but since 2021 the LULUCF sector has turned into a persistent source of emissions.** High soil emissions, especially from drained peatlands, combined with the reduced capacity of Finland's forests to remove carbon dioxide from the atmosphere

nearly outweighs the gains made in energy and industry over the last two decades. In 2024, the highest contribution to greenhouse gas emissions in Finland came from the LULUCF sector (25%), followed by transport (18%) and industry (17%). Between 2005 and 2024, the sector which contributed most to the 16% increase in net greenhouse gas emissions was the LULUCF sector, for which net removals declined by 37.8 million tonnes in $CO_2$ equivalent ($MtCO_2$-eq.) and which became a source of emissions. In 2024 LULUCF net emissions amounted to 9.77 $MtCO_2$-eq (see Graph 3.1). This represents a gap of around 15 $MtCO_2$-eq between Finland's LULUCF target for 2030, making it the second-largest projected shortfall among EU Member States. This gap reflects a combination of increased harvesting levels, reinforce in recent years by the loss of wood imports from Russia, high emissions from organic soils, declining forest growth and methodological revisions (see Annex 10). Harvesting volumes in forecast scenarios of the Natural Resources Institute Finland exceed 80 million cubic metres ([46]) over the upcoming decade, compared to an average harvesting volume of 72 million cubic metres over the previous decade. The Finnish Climate Panel estimates sustainable logging levels (i.e. those allowing to achieve the 2035 carbon-neutrality target) at between 61 and 64 million cubic metres, depending on developments in other areas of the land use sector.

Graph 3.1: **Emissions from the LULUFC sector 1990-2024**




(1) Absolute figures in 1 000 $KtCO_2eq$
***Source:*** European Environmental Agency

**The transport sector increasingly risks lagging behind its decarbonisation targets and progress on the country-specific recommendation for the decarbonisation of transport is limited.** Transport emissions reductions have halted over recent years and transport emissions have increased slightly from 2023 to 2024. The slow pace of fleet renewal means Finland is making only limited progress on electrifying transport. While the recharging infrastructure network is adequately advancing for light vehicles, significant investments are still required to develop the recharging infrastructure for heavy duty vehicles. Continued fossil fuel dependence creates further risks towards Finland's 2030 targets for the transport sector. Long distances between population centres, cold weather conditions and sparsely populated areas, notably in the north (see Annex 18), may prove limiting factors to the electrification of passenger transport, in particular in the absence of additional policy incentives.

([46]) Based on the assumption that the forest industry operates at high utilisation rates.

## Finland benefits from continued decarbonisation of energy and industry

**Decentralised, diversified, and efficient energy production will help Finland maintain and develop its energy security.** Examples of recent improvement in energy security include the recently completed EU co-financed Aurora Line electricity interconnector (see Annex 9). Moreover, domestic electricity production in Finland covered approximately 96% of its total electricity demand in 2024. Critical energy infrastructure warrants further attention, in particular in the eastern border regions.

**The decarbonisation of the energy system is progressing well, highlighting the progress made on the recommendation to reduce reliance on fossil fuels.** In 2025, 95% of Finland's electricity supply was fossil-free, with wind power as the fastest-growing source of electricity generation. Sizeable investments have been made in solar and wind power. As a result, Finland now benefits from the lowest electricity prices in the EU (EUR 0.0804 per kWh in the first half of 2025 compared to the EU average price of EUR 0.1902 per kWh), which also gives industry a competitive advantage. A new environmental permitting system entered into force on 1 January 2026. This reform, which centralises the system for environmental permits in a new national authority, is expected to speed up processing times. Finland is planning to invest EUR 5.2 billion in the transmission grid between 2026 and 2035 based on forecasts for electricity production and consumption to ensure sufficient capacity.

**Progress continues to be made on the recommendation for decarbonisation of industry.** The abundant supply of cheap energy provides an opportunity for industry to accelerate its decarbonisation, thereby providing a strong foundation for Finland's future carbon-neutral economic base. This is also recognised in Finland's 'Room for Growth' project - a government initiative focused on revitalising stagnant economic growth (see Annex 5).

**Continued investment will be required to achieve emissions reductions targets.** Additional investment will be needed to continue industrial decarbonisation and to benefit fully from the availability of clean energy. Furthermore, Finland is targeting a market share of 10% of the EU's green hydrogen production and processing capacity by 2030 ([47]). Continued investment in the availability and development of green skills will be crucial for the further development of these sectors.

## Improved circularity of the economy could boost sustainability and competitiveness

**Progress on the circular economy is becoming more urgent for Finland, which is at risk of not meeting most of its recycling targets.** In this regard, in 2025 the Commission recommended that Finland invest in developing green technologies, including circular economy solutions. The country's new Circular Economy Act is still being drafted. Its stated aim is to boost Finland's transition towards a circular economy. Current data shows that, while Finland is likely to have met its 2025 recycling target for all packaging waste, it falls short of its target for the recycling of municipal waste. Finland has one of the lowest municipal recycling rates in the EU and the recycling of construction and demolition waste as well as that of plastic packaging waste is also well below the EU average (see Annex 8). Finland still has a high rate of waste incineration, while its circular material use rate ([48]) and resource productivity ([49]) are among the lowest in the EU.

([47]) Government Resolution TEM/2023/14

([48]) Eurostat Circular material use rate

([49]) Eurostat Material flows and resource productivity (t_env_mrp)

**The continued availability of critical raw materials and continued investment in the development of green technologies is crucial for the competitiveness of Finnish industry.** An improved circular materials use rate, in particular in industry, could reduce Finland's dependence on imports of key materials and other inputs to the industrial production process. Moreover, Finland is a key producer of critical raw materials, including cobalt, nickel, copper and lithium. Mineral extraction therefore plays a part in both Finland's and the EU's domestic sourcing of these materials. Six projects from Finland were selected as strategic projects in 2025 in the context of the Critical Raw Materials Act (see Annex 5 and Annex 18). Ensuring a competitive framework for extracting industries without putting undue pressure on the environment and ensuring community involvement and engagement will be key. The recent increase in the mining tax should be viewed in this context.

## Adapting to the changing climate requires tailored responses

**Finland is warming faster than other Member States.** This is particularly pronounced in the northern parts of the country, which are in the Arctic circle and warming up much faster than other areas. This increases the risk of climate disasters. Moreover, it entails risks to the Sámi people's traditional ways of life. A well-balanced national governance structure for climate adaptation, consisting of the Climate Act and a National Adaptation Plan, is in place. However, recent estimates suggest investments in climate adaptation of EUR 2 billion will be needed every year until 2050 to address increased vulnerability in ecosystems, infrastructure and health, etc.. This constitutes 0.64% of GDP, making Finland one of the five EU countries with the biggest investment needs for climate adaptation. Proactive investment could save EUR 5–8 billion in avoided damages compared to reactive responses ([50]).

**An investment gap exists for biodiversity and ecosystems, also related to the high harvesting rates.** Despite Finland's exceptionally rich biodiversity, habitat degradation is increasingly widespread. Eutrophication of coastal waters as a result of agricultural activity is a major issue in Finland. This is especially the case for the Archipelago Sea, mainly due to high levels of agricultural runoff.

([50]) European Commission: Directorate-General for Climate Action, Monteleone, L., Roberti, G., Fossati, F., Davies, W. et al., Assessment of EU and Member States adaptation investment needs – Study on the macro-economic impacts of the climate transition, 2026, https://data.europa.eu/doi/10.2834/2895769

# SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

**In 2025, Finland received country-specific recommendations on the social security system, active labour market policies, addressing skills shortages, and on access to and cost-effectiveness of the social and healthcare services.** Since then, several reforms in the social security system have entered into force, the higher-education offer has been increased, and the reform of social and healthcare services completed its third year of implementation. In 2025, public employment services, including active labour market policies, were transferred from central government to municipal level.

**Finland's challenges include an ageing society affecting public finances and workforce skills, rising poverty rates, a high percentage of early school leavers, and structural and youth unemployment.** An ageing population challenges the service delivery systems for the social and healthcare sector, foreseen to suffer from skills shortages and medium-term labour gaps. Although poverty rates remain below the EU average, they have increased. Addressing the acute and upcoming challenges of the social and healthcare sector, structural and youth unemployment, skills gaps, and productivity weaknesses is crucial for strengthening Finland's economic and social resilience. Targeted measures in education, upskilling, and labour market activation will be vital to meet future demand and sustain competitiveness.

**These findings are consistent with the second-stage analysis in line with the EU's social convergence framework.** The analysis points to challenges related to the high unemployment rate, including long-term unemployment, and the self-reported unmet needs for medical care. It does not point to overall social convergence challenges for Finland, also in light of the measures implemented or planned ([51]).

## Social security reforms advanced, but high unemployment increases risks for the most vulnerable

**Finland's reforms of the social security system have increased labour market participation.** Finland has implemented a set of reforms of the social security system to address the country-specific recommendation to increase the efficiency of the social benefits system, improve incentives to work, contribute to the long-term sustainability of public finances and address the needs of the vulnerable groups. Since 2023, over 40 legislative reforms to the social security system have taken effect. They include the social assistance reform and the launch of the general social security benefit in 2026. The reforms also support the extension of the adjustment period in Finland's medium-term fiscal-structural plan.

**With the social sector contributing to fiscal consolidation efforts and with high unemployment, further emphasis could be given to social protection of the most vulnerable.** This aspect is important because of the 2025 country-specific recommendation on addressing the needs of vulnerable groups. The social security reforms may increase the risk of poverty, especially in the current period of high unemployment. National authorities have highlighted a potential negative cumulative impact on the most vulnerable,

([51]) European Commission, SWD(2026)122 final. The analysis relies on all the available quantitative and qualitative evidence and the policy response undertaken and planned.

including low-income families with children. European Social Fund Plus (ESF+) support for social inclusion, including support for the reform of child protection services, complements the service offer at national level. Finland is preparing measures to better support people with a reduced ability to work and to better target child benefits to low-income families, but these are still at an early stage (see Annex 12). Further measures may be warranted following the findings of the next statutory review of income protection in early 2027.

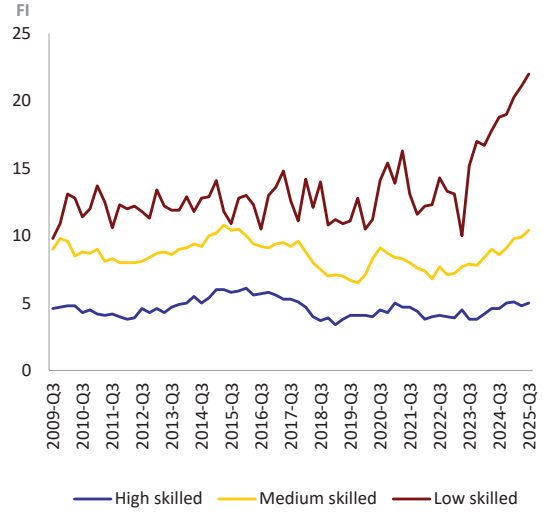
## Ensuring skilled labour force is crucial for Finland's competitiveness

**In addition to cyclical factors, Finland struggles with structural and youth unemployment, exacerbated by skills gaps.** In 2025, Finland received a country-specific recommendation to strengthen active labour market policies for all and address skills shortages by reskilling and upskilling the workforce and widening the higher education offer, in particular for the skills most in demand in the labour market. Several measures have been implemented to address this recommendation, including using European funding from the Recovery and Resilience Facility and the European Social Fund+, but further actions are needed to ensure growth and boost productivity.

**The high unemployment rate and declining employment reflect the difficult situation in Finland's labour market.** The unemployment rate reached 9.7% in 2025. The long-term unemployment rate rose substantially from 1.5% in 2020 to 2.4% in 2025, above the EU average of 1.9%. The youth unemployment rate was 21.8% in 2025, over 6 percentage points higher than the EU average. The employment rate fell further to 76.3%, moving away from the 2030 national target of 80%. (See Annex 11). The percentage of involuntary temporary employment was 9.8% in 2025, above the EU average of 6.4%. The percentage of involuntary part-time employment remained above the EU average (5.1% vs 3.3%) in 2025. The recent relaxation of the rules for using and terminating fixed-term contracts ([52])([53]) raised concerns among trade unions (see Annex 11).

**Significant disparities exist within the labour market.** The percentage of young people neither in employment nor in education and training increased from 9.2% in 2023 to 11.0% in 2025. Non-EU nationals residing in Finland continue to face significantly higher unemployment rates than the native population. In addition, people with lower secondary education or less accounted for most of the increase in unemployment in the last three years, their unemployment rate reaching 22.9% in 2025.

Graph 4.1: **Unemployment rate by educational attainment (quarterly)**




(1) Unemployment rates ages 20-64 (% of labour force), seasonally adjusted
***Source:*** Eurostat, LFS [Unemployment by sex, age and educational attainment - quarterly data].

**The Finnish government has introduced several measures to activate the labour force**. Finland overhauled its active labour market policies by transferring the

([52]) Under the new legislation, employers can offer fixed-term contracts of up to one year without providing a specific reason, but under the old law, a valid justification was required.

([53]) Government's labour market reforms - Ministry of Economic Affairs and Employment.

responsibility for employment services from government to municipal-level employment areas. The reform also included a new financial incentive model to shorten the unemployment spells. Under the new model, municipalities must cover more of the costs of unemployment benefits and employment services, with their expenditures increasing by EUR 311 million (approx. 66%) in 2024-2025. This combined with the high unemployment has made it challenging for municipalities to manage their responsibilities or develop new service structures and activation measures ([54]). The rate of jobseekers taking part in ALMPs declined from 29.2% in 2022 to 18.9% in 2025, corresponding to a decline of 25 000 participants ([55]). Providing effective and well-coordinated services to people with limited ability to work, few formal qualifications or little work experience also remains challenging.

**Under the Recovery and Resilience Facility), Finland introduced the Nordic model of employment services in 2022 with a stricter job-search obligation and more personalised services for the unemployed.** Finland also streamlined the work and education-based immigration process. There remains scope to improve the effectiveness of employment services. This applies particularly for groups that need personalised support, like young people not in education, employment or training and the long-term unemployed (see Annex 11). Social economy entities have a pivotal role in integrating young people to the labour market.

**Strategic efforts to strengthen employment services and promote labour demand as well as supply are crucial in the exceptional labour market situation.** Finland receives EUR 6.8 million from the ESF+ to implement the Youth Guarantee and from the RRF to support multidisciplinary services for youth. A recently introduced youth employment subsidy supports the temporary hiring of young people in 2026-2027.

**Tertiary educational attainment has stagnated below the EU average, while an ageing population and technological changes are expected to increase the demand for skilled labour.** Tertiary educational attainment was 38.2% in 2025, falling short of Finland's target of reaching 50% by 2030 (See Annex 13) and is marked by differences across regions. In response, Finland has taken measures to widen the higher education offer, such as a new funding model to encourage first-time admissions and a pilot project on micro-credentials, introduced in 2025. Despite high enrolment rates in science, technology, engineering, and mathematics, the highest in the EU, labour shortages continue to emerge in several high-skilled professions. Several measures have been taken to strengthen school students' basic skills, but declining results in performance and early school leaving rates remain a concern. Reversing these trends, which show a socio-economic component, calls for further policy attention.

**Strengthening the supply of skills would benefit productivity, competitiveness and economic growth.** Alongside expanding study places for tertiary education, vocational education and training (VET) plays a significant role in Finland's supply of skills. Finland is preparing a significant reform of its VET system to incentivise transitions to employment or further study, and to promote local cooperation between VET providers, administration and the labour market. This aims to address the employment rate of recent VET graduates, which is below the EU average. Finland's participation in adult learning is among the highest in the EU, though reaching the national target for 2030 (60%) will require engaging under-represented groups. The RRF-funded reform of continuous learning supports the development of human capital, through digital innovations to forecast the demand and supply of skills. The ESF+ contributes to upskilling and reskilling and helping vulnerable groups develop digital skills.

([54]) Valtakunnallinen katsaus työvoimapalveluiden järjestämisestä 2025

([55]) Statistics Finland (2026) Aktivointiaste. The fall in the participation rate may be overestimated due to technical problems and legal reforms in data provision.

## Social and healthcare reform trims costs but faces ageing pressures, and regional disparities persist

**The social and healthcare reform has reduced the growth in costs, and the accessibility of primary healthcare services has improved, despite the still high self-reported unmet medical needs.** In 2025, Finland received a CSR aimed at improving the cost-effectiveness of and access to social and healthcare services, including long-term care. The reform of social and healthcare services transferred the responsibility for social welfare, healthcare and rescue services to 22 entities, including 21 newly established 'wellbeing services counties' in 2023. Research suggests that since then, the rise in costs has levelled off and equitable access to primary care has improved (see Annex 12).

**New service models and digital services, including AI, have facilitated progress with this reform.** The RRF has provided funding amounting to EUR 356.8 million for these initiatives. Under pressure to balance the finances of the wellbeing services counties, streamlining the service delivery network and services has started, service fees have increased and savings have also been sought from the personnel costs. Trust in the service delivery system has weakened, with self-reported unmet medical needs remaining high at 7.8% in 2025, though this has improved from 8.5% in 2024.

**Financial sustainability and service delivery disparities persist between wellbeing services counties** ([56]). A parliamentary committee has been established to explore the future reform trajectory, including options for improving the funding model. There is also potential for stronger steering of the reform, better integration of the IT systems, increased use of AI, better collaboration between different stakeholders, strengthening the availability and use of data to ensure effectiveness of the service delivery, improving the continuity of care and refocusing of the service offer.

**The ageing population is a challenge for the resilience and fiscal sustainability of Finland's elderly care system, which has traditionally been strong.** Home care is the foundation of elderly services, with about 86 000 clients aged 75 and over in 2024 (13.1% of this age group ([57])). While the number of older people is increasing, the wellbeing services counties have tightened service access criteria, contributing to decreasing service coverage and reducing home visits. Communal housing could present a more efficient solution than home care or full-time residential care for people requiring frequent services, but it remains underutilised. Meanwhile, some counties have struggled to provide full-time residential services within the legally required three-month period.

**Service coverage and accessibility vary across regions and there are no uniform national criteria for care referrals for elderly care.** Efforts are underway to establish national guidelines during 2026. As societies age, there is a need for a significant change in the way environments and services are designed to meet the needs of older people. At the same time, robust early home-based and communal services could help older people keep their functional capacities and reduce reliance on more intensive care options.

**Rising demand for social and healthcare services and the retirement wave in the early 2030s will increase labour needs in the sector**. Although the economic environment has currently eased labour shortages also in social and healthcare, a national challenge persists with insufficient numbers of specialist doctors, particularly psychiatrists. Moreover, the wellbeing services counties are experiencing additional skills and labour shortages in specific service categories (see Annexes 12 and 15).

([56]) Hyvinvointialueuudistuksen väliarviointi

([57]) Sotekuva

# KEY FINDINGS

In areas **covered by existing country-specific recommendations**, Finland would benefit from:

- **improving the efficiency of public spending by carrying out regular and detailed spending reviews** and factoring their results into government finance policymaking to give the government more flexibility in its spending choices while considering the needs of the most vulnerable groups;
- **boosting innovation by improving its commercialisation** through greater cooperation between the private and public sector, aligning national, regional, and local innovation strategies, and by strengthening researchers' entrepreneurial skills;
- **continuing efforts to decarbonise industry and transport** by incentivising investment, with a focus on electrification;
- **speeding up the transition to a circular economy** by taking action to reduce waste and promote recycling and reuse;
- **continue improving the efficiency of the social and healthcare services** while pursuing efforts to enhance access to services including for elderly care
- **fostering upward social convergence** by addressing the challenges of youth and structural unemployment and supporting labour market integration by targeting active labour market policies and encouraging reskilling and upskilling;
- **promoting human capital development in the context of ongoing labour market transformation** by (i) increasing tertiary education participation, and (ii) improving the quality of vocational education and training and better aligning it to the labour market.

In **other areas**, Finland would benefit from:

- **strengthening economic security,** including in critical infrastructure, cyber security, logistics and transport chains, and critical raw materials;
- **taking targeted strategic actions to strengthen the eastern border regions,** in particular for economic diversification and renewal, and long-term resilience;
- **unlocking financing for innovative start-ups and firms to scale up**, including through expanding investment options available to households to channel retail savings toward Finnish growth companies, through other changes in financial market regulation, and targeted tax reforms to make the tax system more growth-friendly and investment-friendly;
- **promoting security and defence-related innovation,** including by developing dual-use technologies for both military and commercial use;
- **reducing emissions from the land use, land-use change and forestry sector** to reverse the negative trend in the carbon sink by taking action to strengthen sustainable forest management while enhancing forest growth and resilience and reduce soil emissions, in particular from drained peatlands.

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Table A1.1: **CSR implementation and Commission assessment**

Finland faces challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs). Finland was recommended, among other things, to pursue the reform of the social security system and improve incentives to work, improve the commercialisation of innovation, reduce reliance on fossil fuels and strengthen active labour market policies for all.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by Finland to date*. To do so, the Commission has taken into account the information provided by Finland in its Annual Progress Report as well as other information sources. This annex provides summary information on the policy actions taken or planned by Finland for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

**CSR 2 is not assessed in CeSaR. RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.*

| **Recommendation text** | **Main measures adopted or implemented** *By 30 April 2026* | **Preparatory steps/ credibly announced measures** *By 30 April 2026* | **Assessm. of progress** |
|---|---|---|---|
| 1.1 Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025. | Total general government defence expenditure in 2026 is projected at 2.6% of GDP, corresponding to an increase of 1.1 ppt. compared to 2024. | Total general government defence expenditure in 2027 is projected at 2.4% of GDP, corresponding to an increase of 0.9 ppt. compared to 2024. | Substantial progress |
| 1.2 Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, while making use of the allowance under the national escape clause for higher defence expenditure. | Cumulated deviation in 2025 vis-à-vis the Council Recommendation of 21 January 2025, amounted to -1.5% of GDP.<br>On 20 January 2026, the Council has adopted a new Recommendation with the view to bringing an end to the situation of an excessive deficit in Finland, covering the period 2026-2028. The cumulated deviation in 2026, vis-à-vis the Council Recommendation of 20 January 2026, is projected to 0.5% of GDP but it is fully explained by the NEC flexibility (1.4 pps. of GDP). The EDP is held in abeyance. | | Full implementation |
| 1.3 Implement the set of reforms and investments underpinning the extended adjustment period as recommended by the Council on 21 January 2025. | See table A.2.4 in Annex 2 of the Country Report | | Substantial progress |
| 1.4 Improve the efficiency of public spending by taking into account the results of the spending reviews. | In 2024, the establishment of targeted yearly reviews was announced, and a broader 4-year one ahead of the elections. The first annual reviews will be published this year. | The preparation of the next spending review (every 4 years) and tax review underway. The first annual reviews should be published this year. One of them will cover state agencies. | Some Progress |
| 1.5 Pursue the reform of the social security system to increase the efficiency of the social benefits system, | General social security benefit reform approved by Parliament, to enter into force on 1 May 2026.<br><br>Comprehensive reform of social assistance approved by Parliament, entered into force on 1 February 2026. | The Parliamentary Social Security Committee will publish its final report end 2026 for consideration of future governments.<br><br>Other measures announced, e.g. on a combined unemployment insurance for persons working both as employee and self-employed, and a model to combine working income and disability pension. | Substantial Progress |

*(Continued on the next page)*

*Table (continued)*

| **Recommendation text** | **Main measures adopted or implemented** *By 30 April 2026* | **Preparatory steps/ credibly announced measures** *By 30 April 2026* | **Assessm. of progress** |
|---|---|---|---|
| 1.6 improve incentives to work and support the long-term sustainability of public finances, | The government implemented several measures during the term tightening social benefits and increasing incentives to work. Fiscal savings were generated as a result. | | Some Progress |
| 1.7 while addressing the needs of the vulnerable groups | - 3 memoranda by the Ministry of Social Affairs and Health to monitor impacts were published in September 2025. However, impacts are estimated negative on vulnerable groups. | - The Social Security Committee is preparing proposals to enhance social security for young people and families with children.<br>- A rapporteur's report on the development of the child benefit will be published in spring 2026.<br>- A proposal of a new flexible model for combining working income and disability pension in spring 2026.<br>- Youth employment voucher (allocation EUR 30 million) to prevent long-term youth unemployment is expected to support hiring of about 3 300 to 4 400 young people for six months in 2026-2027. | No Progress |
| 3.1 Pursue the R&D target of 4% by 2030 | Statistics Finland estimates for 2025 point to a level of R&D as % of GDP of 3.29%, up from 3.22% in 2024.<br><br>Public R&D expenditure was reduced somewhat in the 2026 budget, due to a revision in GDP forecast. | | Some Progress |
| 3.2 and improve the commercialisation of innovation by | Business Finland budget for innovation activities other than R&D has been cut. | More funding will be allocated to the "Research to business" funding services. | Limited Progress |
| 3.3 i) stepping up the cooperation between businesses and academia through joint industry/ university projects, | Business Finland has programmes to support business-academia cooperation.<br><br>Research Council of Finland confirmed for 2026 the "Finnish flagship programme 5", aimed at supporting high-level scientific research, with funding targeted at competence clusters based on cooperation between organisations.<br><br>The pilot doctoral programme started in 2024 hiring 1,000 phd students aims at strengthening the link between academia and businesses. | Funding for collaboration between companies and research organisations provided by Business Finland and the Research Council of Finland is expected to be increased in 2026. | Limited Progress |
| 3.4 and ii) improving the entrepreneurship skills and support for researchers | The pilot doctoral programme is running since 2024, see above. | The Ministry of Education and Culture is working on a revision set for 2026 of the Entrepreneurship Education Guidelines published in 2017, which address the topic | Limited Progress |

*(Continued on the next page)*

*Table (continued)*

| **Recommendation text** | **Main measures adopted or implemented**<br>*By 30 April 2026* | **Preparatory steps/ credibly announced measures**<br>*By 30 April 2026* | **Assessm. of progress** |
|---|---|---|---|
| | | from early childhood education through to tertiary education. | |
| 4.1 Reduce reliance on fossil fuels | The new 400-kilovolt Aurora Line electricity transmission connection between Finland and Northern Sweden was commissioned on November 13, 2025. | EUR 5.2 billion of investment planned in the electrical grid until 2035. | Some Progress |
| 4.2 by boosting public and private investment in the decarbonisation of industry | The environmental permitting reform has come into effect on 1.1.2026. This reform combines all different permits into a single procedure managed by a single national authority.<br><br>The Ministry of Economic Affairs and Employment and Business Finland have launched a €400 million clean-transition investment support programme for 2025, aimed at industrial decarbonisation and energy-efficiency projects.<br><br>EUR 50 million in investment aid for large new energy technology projects was carried out in 2025. | | Some Progress |
| 4.3 and transport, including through electrification, | New scrapping premium introduced.<br>Tax benefits for EV purchase.<br>Small measures supporting rail transport and passenger rail. | | Limited Progress |
| 4.4 as well as in the development of green technologies, including circular economy solutions. | FI has adopted a new circular economy strategy, which sets a target to double resource productivity by 2035. | New investments announced for Business Finland in green technologies, including solutions for zero-carbon industry, electrification and digitalisation, and will support circular economy business models across sectors such as bio and chemical industries, mining and metals.<br><br>The government has decided to examine the expansion of the tax base of the waste tax as of 1.1.2027 to also include recoverable hazardous waste. | Limited Progress |
| 5.1 Strengthen active labour market policies for all | Reform of employment services since January 2025: transferring the responsibility of employment services from government to municipalities/employment areas with a new financial incentive model. However, municipalities/employment areas have challenges in managing the responsibilities due to high unemployment and limited funding. | Youth employment voucher (allocation EUR 50 million) to prevent long-term youth unemployment is expected to support hiring of young people for six months in 2026-2027.<br><br>A pilot programme (EUR 15 million) to reach and support NEET youth and therefore to decrease youth | Some Progress |

*(Continued on the next page)*

*Table (continued)*

| **Recommendation text** | **Main measures adopted or implemented** *By 30 April 2026* | **Preparatory steps/ credibly announced measures** *By 30 April 2026* | **Assessm. of progress** |
|---|---|---|---|
| | Municipalities are using fewer activation measures for the unemployed, such as training and education, likely affecting more the disadvantaged groups.<br><br>Nordic employment services model (RRF) since 2022 increasing individual support to jobseekers and introducing a job search obligation. Some criticism have been raised regarding the efficiency of the new model in addressing the needs of the less active and the increased numbers of applications due to new obligations. | unemployment has been announced for 2026-2027.<br><br>In addition, the government decided on measures for long-term unemployed to support their re-entering to the labour market. These include a competence voucher for reskilling and a subsidy for the third sector to support long-term unemployed. | |
| 5.2 and address skills shortages by reskilling and upskilling the workforce and widening the higher-education offer, in particular for the skills most in demand in the labour market. | Abolishment of the adult education allowance in 2024 (transition period until the end of 2025) as it was considered as not effective in terms of employment and incentivising to start studies.<br><br>SECLE (The Service Centre for Continuous Learning and Employment) measures/pilot projects aiming to combine up/re-skilling with work, particularly in healthcare and education sectors.<br><br>Continuous learning RRF measures | VET reform to incentivise transitions to employment or further study.<br><br>The government has decided to reform the study benefits to improve the incentives to study and the situations of students with families. | Some Progress |
| 5.3 Ensure that the reform of social and healthcare services: i) improves the delivery and cost-effectiveness of and access to social and healthcare services, including long-term care, and ii) addresses inefficiencies. | FI has succeeded in reigning in the increase of the costs, a key objective of the social and healthcare services reform. This has been done e.g. by streamlining of the service delivery network, relaxing the legislative requirements for staffing and access to care, and introduction of new service models, including rapid expansion of digital services. National statistics suggest that access to non-urgent primary care has somewhat improved. However, differences between regions exist in terms of progress with reducing costs and availability of services, including for long-term care. Launching personal doctor –concept is aiming to improve access, continuity and cost-effectiveness of care. Better data for steering the reform is emerging, but comparability issues between regions persist. Parliamentary | * Tweaking the current costing model of the wellbeing services counties (WSCs) to enter into force in the beginning of 2027.<br>* Recommendations for the 3 WSCs subject to the evaluation procedure will be made in summer 2026.<br>* Strengthening guidance of the WSCs.<br>* Improving data to inform steering of the WSCs. | Some Progress |

*(Continued on the next page)*

*Table (continued)*

| **Recommendation text** | **Main measures adopted or implemented** *By 30 April 2026* | **Preparatory steps/ credibly announced measures** *By 30 April 2026* | **Assessm. of progress** |
|---|---|---|---|
| | committee has been established for preparing the next steps of the social and health care reform, including options for improving the WSC funding model. | | |

***Source:*** Finland's reporting and Commission assessment

# ANNEX 2: FISCAL DEVELOPMENTS AND DEBT SUSTAINABILITY

**This annex discusses selected topics in public finance and developments in fiscal-structural country-specific recommendations (CSRs) addressed to Finland in July 2025.** These CSRs include a call to strengthen defence spending and readiness while implementing a fiscal strategy in line with the Council Recommendation of 6 March 2025. Finland also received a recommendation to make public spending more efficient by taking into account the results of spending reviews, pursue reform of the social security system to increase the efficiency of the social benefits system, improve incentives to work and make public finances more sustainable in the long term, all while addressing the needs of the vulnerable groups.

On 21 January 2025, the Council of the European Union adopted the Recommendation endorsing Finland's medium-term fiscal-structural plan ([58]). The plan includes an extended fiscal adjustment over seven years, underpinned by a set of reforms and investments. On 8 July 2025, the Council also activated the national escape clause for Finland facilitate an increase in public spending on defence ([59]). On 21 January 2026, the Council adopted a Recommendation under Article 126(7) TFEU to correct the excessive deficit in Finland ([60])([61]).

([58]) OJ C, C/2025/656, ELI: http://data.europa.eu/eli/C/2025/656/oj.

([59]) OJ C, C/2025/3966, ELI: http://data.europa.eu/eli/C/2025/3966/oj.

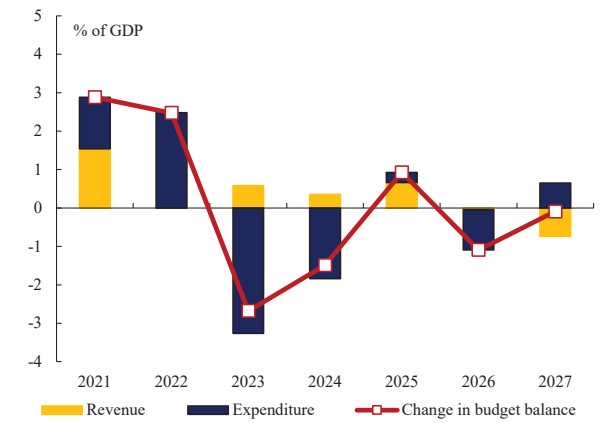
([60]) Council Recommendation with a view to bringing an end to the situation of an excessive deficit in Finland, adopted on 20 January 2026.

([61]) Compliance by Finland with the maximum growth rates of net expenditure recommended by the Council is assessed in COM(2026)200.

## Developments in the government balance, debt and public expenditure([62])

**Finland's government deficit was equivalent to 3.4% of GDP and the government debt-to-GDP ratio amounted to 88.5% at the end of 2025.** Based on the Commission Spring 2026 Forecast, Finland's government deficit is projected to increase to 4.5% of GDP in 2026 and 4.6% of GDP in 2027. The decline in the deficit in 2025 was largely driven by an increase in revenues and slow growth in expenditure, which nonetheless was the highest in the EU as a share of GDP, at 57.5%. Expenditure is expected to increase over the forecast period, reaching 57.9% of GDP in 2027, remaining the highest in the EU.

Graph A2.1: **Contributions to the change in the general government balance (% of GDP)**



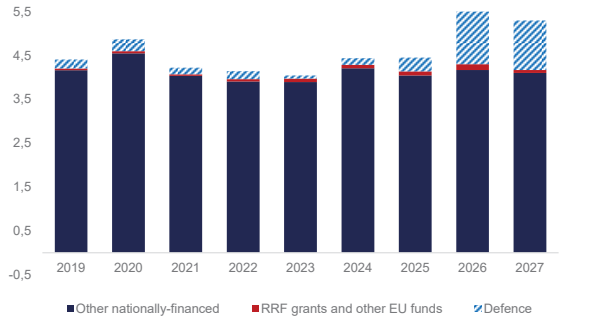

***Source:*** European Commission Autumn Forecast

**Public investment is expected to increase due to the purchase of defence equipment.** The level of public investment remained broadly stable at around 4% of GDP in 2019-2025. Defence investment is expected to increase significantly in 2026-2027 as a result of the purchase of F35s fighter jets, which will raise total public investment above 5% of GDP (see Graph A2.2). Non-defence nationally financed public investment is expected

([62]) Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables (SWD(2026)200) providing background data relevant for the assessment of the budgetary policies of the Member States.

to remain broadly stable at around 4% of GDP in 2025-2027.

Graph A2.2: **Public investment evolution and composition (% of GDP)**

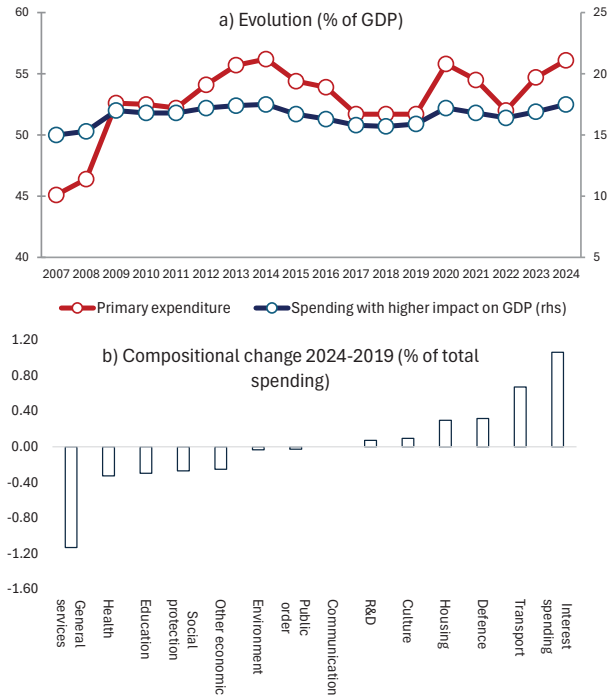



***Source:*** European Commission Autumn Forecast

**The type of expenditure that has a greater impact on GDP had remained broadly stable over three decades in Finland, but has slightly increased since 2019 (**see Graph A2.3a**).** This may be related to the impact of the Recovery and Resilience Facility (RRF), which possibly facilitated a more quality-based fiscal strategy. Zooming in on the composition of spending, social protection accounts for the largest share of total expenditure (46%), followed by health, general public services and education, each above 10% of total spending. Since 2019, interest spending has experienced the most significant relative increase among all COFOG categories (see Graph A2.3b). The share of spending on education, culture, defence, housing and transport has risen more modestly since 2019, with the rise in defence spending reflecting recent security developments. By contrast, the share of spending on education and health expenditure has declined. This trend deserves attention, as these spending categories are generally considered growth-friendly.

**Finland has relatively high tax revenues as a share of GDP.** In 2025, Finland's total tax revenues as a percentage of GDP (including compulsory social contributions) amounted to 42.7% compared with the EU average of 39.9%. Total tax revenues are projected to remain constant as a percentage of GDP in 2026 and to decline to 42.4% of GDP in 2027 according to the Spring 2026 Forecast. While the tax mix in Finland is relatively diversified, some tax types that are considered least detrimental to growth, such as recurrent property taxes, yield a tax revenue as a percentage of GDP below the EU average (0.8% of GDP vs an EU average of 0.9% of GDP) (see Annex 3).

Graph A2.3: **Primary spending evolution and compositional change**




***Source:*** Eurostat

Note: Based on economic literature, the categories considered to have a greater growth impact include education, R&D, health, transport and communication (See Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al. (2018), Cepparulo and Mourre (2020) and OECD (2025)).

## The costs of ageing

**Total ageing-related spending in Finland is projected to be stable in the coming decades but to rise by around 2.5 pps by 2070 (see Table** A2.1**).** The increase in the long term stems from a projected rise in long-term care, pension and healthcare spending. Ageing-related spending would reach 29% of GDP in 2070, one of the highest levels in the EU.

**Public pension spending as a share of GDP is projected to decline by around 0.5 pps between now and 2040 but to increase by about 1 pp. in the long term.** By 2070, public pension outlays would represent around 14% of GDP, compared with an EU average of about 12%. In Finland, the pension system is sizeable, both in terms of assets held and participation. The statutory pension system consists mainly of

Table A2.1: **Projected change in ageing-related expenditure in 2025-2040 and 2025-2070**

| | ageing-related expenditure | change in 2025-2040 (pps GDP) due to: pensions | healthcare | long-term care | education | total | ageing-related expenditure | |
|---|---|---|---|---|---|---|---|---|
| **FI** | 26,7 | -0,6 | 0,3 | 0,9 | -0,6 | **0,0** | 26,7 | **FI** |
| EU | 24,3 | 0,5 | 0,3 | 0,4 | -0,3 | **0,9** | 25,2 | EU |

| | ageing-related expenditure | change in 2025-2070 (pps GDP) due to: pensions | healthcare | long-term care | education | total | ageing-related expenditure | |
|---|---|---|---|---|---|---|---|---|
| **FI** | 26,7 | 0,9 | 0,6 | 1,7 | -0,9 | **2,3** | 29,0 | **FI** |
| EU | 24,3 | 0,2 | 0,6 | 0,8 | -0,3 | **1,3** | 25,6 | EU |

***Source:*** 2024 Ageing Report (EC/EPC).

Table A2.2: **Supplementary pension schemes - Scope for expansion**

| | Assets in 2024 (% GDP) | Gross replacement rate at retirement: (pps change 2025-2040) | Participation in 2024 (% working-age population) | |
|---|---|---|---|---|
| **FI** | n.a. | -6,0 | n.a. | **FI** |
| EU | 32,4 | -2,8 | 55,9 | EU |

Note(s): (1) Supplementary pension schemes in Finland play a marginal role. According to financial accounts (Statistics Finland), employment pension schemes outside the statutory system (sector S129) account for around 1% of assets of the entire pension system (sector S129 "Pension funds" plus sector S13141 "Employment pension schemes"). Data on participation broken down by statutory-supplementary schemes are not readily available. (2) The value for the replacement rate shown in the table refers to statutory pensions.
***Source:*** European Commission.

earnings-related pensions paid by private providers financed through workers' social contributions and providers' own investment income. A minimum level of pension is paid by the State using tax revenues if the earnings-related pension falls below a certain threshold. At the end of 2024, private pension assets amounted to around 65% of GDP and participation covered around 93% of the working-age population ([63]). This coincides with declining medium-term pressures on public pension spending; at the same time, the replacement rate is projected to decline by 6 pps between 2025 and 2040 (Tables A2.1 and A2.2). ([64])

**Supplementary pension schemes can make the pension system more resilient by diversifying retirement income sources**. The Finnish system is focused on statutory pensions, with occupational and individual pensions playing a marginal role ([65]). Expanding these types of pensions could further diversify retirement income sources without weighing on public finances, especially in view of declining projections for the statutory replacement rates, as mentioned above.

**Public healthcare expenditure is projected to be 6.2% of GDP in 2025 (below the EU average of 6.6%) and is expected to increase by 0.3 pps between now and 2040 and by a further 0.3 pps between 2040 and 2070.**

**Public expenditure on long-term care is projected to be 2.2% of GDP in 2025 (above the EU average of 1.7%) and is expected to increase by 0.9 pps of GDP between now and 2040 and by a further 0.8 pps of GDP between 2040 and 2070.** This increase in long-term care expenditure contributes to fiscal sustainability risks. The policy measures that the Finnish authorities have implemented to improve efficiency and the further scope for improvements

([63]) Source: OECD Pension Market in Focus 2025. The figures includes all private pension including supplementary pensions. The latter have a marginal size, as described below.

([64]) The (gross) replacement rate refers, depending on data availability, to both public and private pensions. It is based on projections from the 2024 Ageing Report.

([65]) Supplementary Pensions - Finnish Centre for Pensions.

are described in detail in the 'Skills, Quality Jobs And Social Fairness' section.

## National fiscal framework

Finland established a general government system of comprehensive expenditure and structural reviews conducted every four years ahead of general elections, complemented by expenditure category level reviews conducted at line ministry level. Terms of reference are set by the Ministerial Committee on Economic Policy on the basis of a proposal by the Ministry of Finance. The nature and public availability of the deliverables is uncertain.

**In December 2025, the parliament adopted a legislation establishing the new fiscal framework.** The framework includes a numerical fiscal rule and a debt reduction benchmark that come on top of the EU fiscal rules. The framework includes a long-term debt target of 40% of GDP, with two medium-term targets (a target for a four-year electoral cycle and a target for eight-year super-electoral cycles) covering the central and local government. A 0.75 pps of GDP debt reduction per year towards the debt anchor value would enter into force as of 2033. The Economic Policy Council is the independent fiscal institution which will monitor compliance with the EU fiscal rules and other national fiscal targets. A correction mechanism, triggered in case of deviations from EU rules and from the debt reduction benchmark, is also part of the framework.

**Since the start of 2026, EU-related independent fiscal institution (IFI) functions are assigned to the Finnish Economic Policy Council**, a five-member institution consisting of professors set up in 2014 and with a secretariat of five persons. Until the end of 2025, IFI functions were covered by the Fiscal Policy Monitoring Department of the National Audit Office of Finland, which had a relatively narrow mandate focusing on monitoring compliance with fiscal rules. It kept a fairly low media profile and government reactions to IFI recommendations were not well publicised.

The Ministry of Finance also established an inter-ministerial working group in January 2026 to develop assessments of the macro –fiscal impacts of climate change and climate policies. This work will be carried out in cooperation with line ministries, the academic sector and the statistical authorities. The working group will review available methodologies for assessing the macroeconomic and public finance impacts of climate change and climate objectives and will design a plan to implement such assessments in the Finnish context.

Table A2.3: **Reforms and investments underpinning the extension of the adjustment period for Finland**

| Measures | Key steps | Recommended implementation date | COM assessment 2026 |
|---|---|---|---|
| Introduction of the Nordic model of employment services | Entry into force of the Act on Public Employment and Business Services | Q2 2022 | Completed * |
| | Increase in the annual number of job search interviews | Q4 2023 | Completed * |
| | Digital functionalities integrated | Q4 2023 | Completed * |
| Removal of additional days of unemployment allowance | Entry into force | Q2 2023 | Completed * |
| Preparation of the social welfare and health care reform in support of implementing the care guarantee | Entry into force of the initial legal fra | Q3 2021 | Completed * |
| | Entry into force of the additional lega | Q1 2023 | Completed * |
| | Operationalisation of regional welfar | Q2 2023 | Completed * |
| Introducing digital innovation in social and healthcare | Increase of the share of population using social welfare and health care e-services | Q4 2025 | Completed ** |
| Investments in new energy technologies | Publication of the first call for applications | Q4 2021 | Completed * |
| | Award of all grants | Q4 2023 | Completed * |
| | Completion of at least 4 supported projects | Q2 2026 | Part of RRF measure, on track based on currently available information |
| Low-carbon hydrogen and carbon capture and utilisation | First national call for applications | Q4 2021 | Completed * |
| | Implementing Agreement | Q4 2025 | Completed * |
| | Ministry has completed the investment | Q2 2026 | Completed ** |
| | Legal agreements signed | Q2 2026 | Completed ** |
| | Transfer of 127 MEUR to Business Finlands | Q2 2026 | Completed ** |
| Re-use and recycling of key materials and industrial side stream | First call for applications | Q4 2021 | Completed * |
| | Award of all grants | Q4 2023 | Completed * |
| | Completion of 10 supported projects | Q2 2026 | Completed * |
| RDI funding package promoting the green transition – Leading companies | Publication of a call for applications | Q2 2022 | Completed * |
| | Award of 5 grants | Q4 2023 | Completed * |
| | 90% of projects completed | Q4 2025 | Part of RRF measure whose deadline was postponed to Q2 2026, on track with new deadline based on currently available information. |
| Energy infrastructure investments | Publication of the first call for applications | Q4 2021 | Completed * |
| | Award of all grants | Q4 2024 | Completed * |
| | Completion of at least 4 projects | Q2 2026 | Part of RRF measure, on track based on currently available information |
| Adjustments to the functions and procedures of the established wellbeing services counties | Stakeholder consultations | Q2 2024 | Completed |
| | Setting up of plans | Q4 2025 | Completed |
| | Entry into force of relevant legislative amendments | Q4 2025 | Completed |
| | Correction of the deficits | Q4 2026 | In certain counties it is not possible to correct the deficit by the deadline without jeopardising service provision. Government proposed an extension of the deadline for counties with credible plans. |
| Comprehensive reform of social assistance | Impact assessment | Q3 2025 | Completed |
| | Stakeholders consultation | Q3 2025 | Completed |
| | Legislation voted | Q4 2025 | Completed |
| Comprehensive reform of social security and the general benefit model | Impact assessment | Q3 2025 | Completed |
| | Stakeholders consultation | Q3 2025 | Completed |
| | Legislation voted | Q4 2025 | Completed |

*Note:* The progress of each backward-looking key step (i.e., those scheduled for completion by 30 April 2026) is classified as either 'completed' or factual information is provided. The status of forward-looking key steps in 2026 not yet completed remains blank and those due after December 2026 do not appear in the table, as these will be assessed by the Commission in future Country Reports.

*These key steps correspond to milestones/targets 3, 4, 6, 7, 16, 17, 22, 23, 24, 77, 78, 79, 80, 100, 101, 133, 134 and 135 of Finland's RRP, which have been assessed as fulfilled as part of a payment request under the RRF.

** These key steps correspond milestones/targets 18, 18bis and139 of Finland's RRP, whose assessment is still pending in the context of a payment request under the RRF and the table does not prejudge its assessment.is still pending as part of a payment request under the RRF. The information in the table does not prejudge that assessment.

***Source:*** Annual Progress Report of Finland and Commission's assessment.

Table A2.4: **Fiscal governance database indicators and public accounting maturity**

| 2024 | Finland | EU Average |
|---|---|---|
| Country Fiscal Rule Strength Index (C-FRSI) | 13.80 | 14.81 |
| Medium-Term Budgetary Framework Index (MTBFI) | 0.83 | 0.72 |
| 2025 Public accounting maturity of general government | 77% | 65% |

(1) "The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on: i) the legal base; ii) how binding the rule is; iii) monitoring bodies; iv) correction mechanisms; and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on: i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.
The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396)."

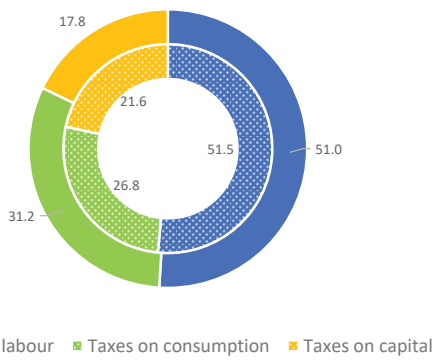
***Source:*** Fiscal Governance Database, European Commission

**This annex provides an indicator-based overview of Finland's tax system.** It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, and on tax collection and compliance. Finland did not receive a tax-related country-specific recommendation in 2025. The set of reforms and investments underpinning the extended adjustment period for Finland's medium-term fiscal-structural plan (MTFSP) neither contain tax elements.

**Finland needs to trim expenditures due to the consolidation needs that the country faces** (see Annex 2). Ideally, it would also find new revenue sources to offset its relatively high tax burden.

**The tax burden in Finland in 2024 was 42.2% of GDP, compared to the EU average of 39.4%.** Finland had the sixth highest tax burden among the EU Member States in 2024, slightly decreasing from 42.8% of GDP in 2023 (see Table 3.1). Labour taxes are the primary source of Finland's tax revenues, accounting for 51% of total tax revenues, broadly in line with the EU average of 51.5% (see Graph 3.1). Consumption taxes contribute 31.2% to Finland's tax revenues (EU average of 26.8%), while capital taxes make up 17.8% (EU average of 21.6%). Despite the prevalence of labour taxes, Finland maintains some degree of tax revenue diversification with substantial revenue intake from other sources, especially VAT and excise taxes. This diversification creates a broad tax base, implying stability for tax collection.

Graph A3.1: **Tax revenue by economic function in 2024, FI (outer ring) and EU-27 (inner ring)**




***Source:*** Taxation Trends Data, DG TAXUD

**Recent and ongoing tax reforms further strengthen the role of consumption taxes in the Finnish tax mix.** In late 2024, Finland increased the standard VAT rate from 24% to 25.5%. In 2025, the reduced rate was increased from 10% to 14% (in early 2026 the reduced rate was then lowered to 13.5%). The excise rate on alcohol was increased by 9% and the overall excise duty on tobacco by 27% as of 1 January 2026. Finland has also announced the introduction of excise duties on soft drinks from April 2026 ([66]). The shift of the tax burden towards consumption taxes is in line with a recent recommendation from the IMF in Article IV consultations, suggesting increasing use of indirect taxes ([67]).

**Environmental tax revenues in Finland have fallen in recent years, from 2.8% of GDP in 2019 to 2.2% in 2024 (EU average of 2.2%).** Finland still has the fifth highest net effective carbon rate in the EU (EUR 94.37 per tonne of carbon in 2023 vs EU average of EUR 75.87). Finland stepwise reduces the $CO_2$ price from EUR 62 to EUR 51 per tonne by end 2027.

**Finland has adopted several measures that will increase environmentally-related tax revenues, countering the aforementioned reductions.** There will be higher electricity excise for mining (moving from the reduced to the general bracket), a substantial rise in the tax on mined minerals (from 0.6% to 2.5% for metallic ores and from EUR 0.20 to EUR 0.60 per tonne for other minerals), and a higher electricity excise for data centres from July 2026. The latter results from changes to the electricity tax subsidy for data centres. The tax refund for energy-intensive companies will also be abolished.

**Revenues from property taxes have been relatively stable and will likely increase in the medium term, with planned property valuation reforms to be phased in over eight years.** Related increases in property tax liabilities are limited to 20% per year and to a maximum threefold increase overall. Total revenues from property taxes have been relatively stable over time in Finland amounting to 1.5% in 2024 compared to 1.6% of GDP in 2019. The EU average is somewhat higher but decreasing (from 2.2% of GDP in 2019 to 1.8% in 2024). Revenues from recurrent immovable property taxes remain stable at the comparatively low level of 0.8% of

([66]) Changes in Taxation 2026, Finnish Tax Administration.
([67]) IMF Article IV consultation, Finland.

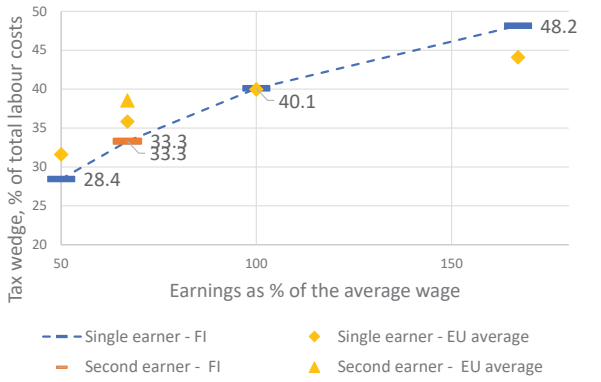
Table A3.1: **Taxation Indicators**

| | | Finland | | | | | EU-27 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | 2022 | 2023 | 2024 | 2025 | 2019 | 2022 | 2023 | 2024 | 2025 |
| **Tax structure** | Total taxes (including compulsory actual social contributions) (% of GDP) | 42.5 | 43.4 | 42.8 | 42.2 | | 39.9 | 39.7 | 39.0 | 39.4 | |
| **By tax base** | Taxes on labour (% of GDP) | 21.2 | 21.5 | 22.0 | 21.5 | | 20.6 | 20.1 | 19.9 | 20.3 | |
| | of which, social security contributions (SSC, % of GDP) | 11.9 | 12.0 | 12.4 | 11.8 | | 13.0 | 12.7 | 12.7 | 13.0 | |
| | Taxes on consumption (% of GDP) | 14.1 | 13.7 | 13.1 | 13.2 | | 11.2 | 10.9 | 10.5 | 10.6 | |
| | of which, value added taxes (VAT, % of GDP) | 9.2 | 9.4 | 9.2 | 9.4 | | 7.1 | 7.4 | 7.1 | 7.1 | |
| | Taxes on capital (% of GDP) | 7.2 | 8.2 | 7.6 | 7.5 | | 8.1 | 8.7 | 8.5 | 8.5 | |
| **Some tax types** | Personal income taxes (PIT, % of GDP) | 12.3 | 13.0 | 12.7 | 13.1 | | 9.6 | 9.4 | 9.3 | 9.6 | |
| | Corporate income taxes (CIT, % of GDP) | 2.5 | 3.0 | 2.9 | 2.6 | | 2.6 | 3.2 | 3.2 | 3.1 | |
| | Total property taxes (% of GDP) | 1.6 | 1.6 | 1.5 | 1.5 | | 2.2 | 2.1 | 1.9 | 1.8 | |
| | Recurrent taxes on immovable property (% of GDP) | 0.8 | 0.8 | 0.8 | 0.8 | | 1.2 | 1.0 | 0.9 | 0.9 | |
| | Environmental taxes (% of GDP) | 2.8 | 2.5 | 2.3 | 2.2 | | 2.6 | 2.1 | 2.1 | 2.1 | |
| | Effective carbon rate in EUR per tonne of $CO_2$ equivalents | na | na | 94.4 | na | | na | na | 84.8 | na | |
| **Progressivity & fairness** | Tax wedge at 50% of average wage (single person) (*) | 30.3 | 30.3 | 30.1 | 28.7 | 28.4 | 32.4 | 31.6 | 31.5 | 31.5 | 31.6 |
| | Tax wedge at 100% of average wage (single person) (*) | 40.7 | 41.0 | 41.0 | 39.8 | 40.1 | 40.1 | 39.7 | 39.9 | 39.9 | 40.0 |
| | Corporate income tax - effective average tax rates (1) (*) | 19.4 | 19.4 | 19.4 | 20.3 | | 20.0 | 19.2 | 19.0 | 19.3 | |
| | Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*) | 11.5 | 13.2 | 11.3 | 11.4 | | 7.8 | 8.0 | 7.9 | 7.8 | |
| **Tax administration & compliance** | Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*) | 5.0 | 4.1 | 4.7 | na | | 31.8 | 32.6 | 30.7 | na | |
| | VAT gap (% of VAT total tax liability, VTTL) (**) | 4.7 | 2.1 | 3.0 | 1.5 | | 10.5 | 7.3 | 8.2 | na | |

(1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) Forecast value for 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the Data on Taxation Trends webpage
***Source:*** European Commission, OECD, ISORA.

GDP. While the EU average was 1.2% of GDP in 2019, it declined to 0.9% of GDP in 2024.

Graph A3.2: **Tax wedge for single and second earners as a % of total labour costs, 2025**




*Note:* The second earner tax wedge shows a household's tax wedge resulting from the wage that a second earner taking up a job at 67% of the average wage receives. It does not show the total tax wedge of the household. The household is assumed to have a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD (2024), Taxing Wages 2024.
***Source:*** European Commission

**Finland is planning to reform corporate taxation to support competitiveness and growth.** The Finnish government announced a reduction in the corporate income tax (CIT) rate from the current 20% to 18%, which is planned to take effect from 1 January 2027. It has also extended the tax credit for large investments aimed at a climate-neutral economy that came into effect in 2025. This tax credit is only available for eligible investments of at least EUR 50 million and may only be deducted from corporate income tax from 2028 onwards. The 2026 statutory CIT rate stands at 20%. The effective CIT rate was 19.4% in 2024. International comparisons confirm the relative competitiveness of the Finnish tax system: Finland ranked second in the EU (and eighth globally) in the Tax Complexity Index and 5th in the EU (and fourteenth globally) in the IMD 2025 World Competitiveness Ranking ([68]).

**Finland's labour tax burden is close to the EU average for low-wage earners but higher for median- and high-income earners.** In 2025, the labour tax wedge for single earners at 50% of the average wage was slightly below the EU-27 average (28.4% in Finland compared with 31.6% in the EU-27). It was also above the EU average at 67% of the average wage (33.3% compared to an EU average of 35.8%), in line with the EU average for earners at the average wage (40.1% versus 40.0%) and above the EU average at 167% of the average wage (48.2% versus 44.1%) (see Graph

([68]) Tax Complexity Index 2024, IMD Competitiveness Ranking 2025

A3.2) ([69]). Aggregate tax expenditures have a substantial impact on the foregone revenue from personal income taxation. Recent estimates suggest that simulated tax expenditures related to employment, housing, education, health and family policy could reduce personal income tax revenues by up to 19%, equivalent to around 2.4% of GDP ([70]).

**Overall, labour taxation in Finland is more progressive than in the EU.** This is reflected a larger tax-wedge differential between high- and low-income earners in Finland as compared to the EU average. The tax-benefit system significantly reduces income inequality, lowering the Gini coefficient by 11.4 pps in 2024 compared to an EU average reduction of 7.8 pps ([71]).

**In 2026 Finland is introducing some tax measures aimed at reducing the overall tax burden on labour.** The highest marginal tax rates on earned income will be cut, bringing the effective top rate down from 59% to 52%. In addition, the tax withheld at the source for foreign employees will be reduced from 32% to 25%. At the same time, some deductions (such as those for social partner organisation membership fees and for home offices) have been eliminated, slightly offsetting the benefits for some taxpayers.

**Finland has no established procedure for regular tax expenditure assessments**. While Finland regularly reports on tax expenditures, it does not systematically evaluate all tax subsidies. In 2023, Finland published a detailed tax report laying out the foundation of a wide set of the most important taxes and discussing the impact and effectiveness of related tax expenditures. A similar report is planned before the next election cycle. The National Audit Office (which is in charge of reviewing general fiscal policy) issued a recommendation in 2018 to improve the information available on the appropriateness of tax expenditures through regular impact assessments ([72]).

**The Finnish tax administration is developing tax gap analysis methods to estimate the CIT and PIT compliance gaps ([73])**. Finland has published CIT compliance gap estimates since 2024. These currently cover a subset of companies and are planned to be extended to all businesses. The latest figures published in 2025 are based on random audit data and report a CIT compliance gap of about 3% of declared CIT for small and medium-sized enterprises for the years 2021-2022 ([74]). The Finnish tax administration is also developing a method to estimate the PIT compliance gap based on random audits. The first results are expected in 2026.

**The Finnish tax administration is characterised by its high efficiency, its high level of digitalisation and its strong customer orientation**. Finland has an effective strategy to ensure tax revenues and reduce the size of the grey economy (well below the EU average). In Finland, the outstanding tax arrears was 4.7% in 2023, one of the lowest in the EU (30.7% EU-wide). The VAT compliance gap decreased by 1.5 pps to 1.5% in 2024, significantly below the EU-wide gap of 8.0% (2023 latest data). According to the 2025 VAT gap report, the VAT compliance gap in Finland has remained stable and was one of the lowest in the EU from 2019 to 2024. Finland has a comprehensive and highly automated e-filing environment. In 2023,

([69]) The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is defined as the sum of personal income taxes, employee and employer social-security contributions and other mandatory contributions, expressed as a percentage of total labour costs (composed of the net wage, personal income tax, social security contributions, and other mandatory contributions). Tax wedge data in the 2026 country reports are calculated by the Joint Research Centre of the European Commission and based on the EUROMOD model, while in the past country reports they were based on the OECD tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

([70]) Turrini, A., Guigue, J., Kiss, A., Leodolter, A., Van Herck, K., Neher, F., Leventi, C., Papini, A., Picos, F., Ricci, M. and F. Lanterna (2024). Tax Expenditures in the EU: Recent Trends & New Policy Challenges. Discussion Paper 212, European Commission

([71]) The Gini coefficient measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income.

([72]) NOAF Audit Report 19/2018: Impact assessments of tax changes and tax subsidies.

([73]) European Commission, Directorate-General for Taxation and Customs Union, *Mind the gap - 2025 report*.

([74]) Finnish Government's Annual Report 2024 (08/05/2025).

the e-filing rate was 98.1% for CIT returns and 97.7% for PIT returns, both rates above the EU average.

**Finland continues to be an 'innovation leader', sustained by a dynamic business sector and committed public research and innovation (R&I) governance.** According to the European Innovation Scoreboard 2025 ([75]), Finland's innovation performance stood at 125.3% of the EU average, with a slightly downward trend compared to 2024, and below the average of innovation leaders in the EU (131.9%). Finland's research and development (R&D) intensity ([76]) increased to 3.22% of GDP in 2024 ([77]) from 3.09% in 2023, moving towards the country's ambitious target of 4% R&D expenditure to GDP in 2030 and in line with last year's country-specific recommendation (CSR). Fulfilment of this target depends not only on increased public and private expenditure, but also on the ability to address key bottlenecks in the national R&I system, as stressed in the 2025 CSR, from science-business collaboration to researchers' entrepreneurial skills, from scaling up of high-growth startups to effective commercialisation of innovation. Finland can leverage the digital agility of its businesses to boost their innovation. Firms are continuously excelling among their EU counterparts when it comes to both basic digital intensity and the adoption of advanced technologies. Continued efforts on R&I would lay the ground for the Finnish economy to remain competitive in the current turbulent geopolitical times and domestic budgetary restrictions.

## Excellent science

**Finland's R&I system builds on a solid science base.** The country continues to demonstrate strong research capabilities and sustained public commitment to R&D. 14 universities, 24 universities of applied sciences (UAS) and 12 government research institutes ensure structured doctoral education and good integration into European research frameworks, as well as solid public funding instruments ([78]). The number of researchers employed by public sector per thousand active population is 7.0 in 2024, higher than the EU average of 4.3. In 2022, national scientific publications in the top 10% most-cited worldwide stood at 11.91%, above the EU average (9.44%) but behind many other EU innovation leaders. Finland performs well on internationalisation, since international co-publications were 65.64% of total number of publications in 2024, with an increasing trend over the years. However, Finland has recently experienced a negative trend in academic freedom ([79]). The latest score of the Academic Freedom Index from 2024 is the lowest value ever scored by the country ([80]): despite this, Finland still ranks among the best performing countries. This aspect would require further assessment.

**Finland has the second-highest public R&D intensity in the EU.** Public expenditure on R&D has increased over time and stood at 1.02% of GDP in 2024, well above the EU average (0.72%), following the approval of the multiannual plan for the use of government research and development funding ([81]) and the Act on Research and Development Funding 2024–2030. In 2026, the R&D budget further increased to approximately 1.07% of GDP, yet this is lower than expected ([82]). The Finnish government has also announced an

([75]) 2025 European Innovation Scoreboard, country profile: Finland. The scoreboard provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national innovation systems (also compared to the EU average).

([76]) Gross domestic expenditure on R&D as a percentage of GDP.

([77]) Statistics Finland shows preliminary data for 2025: 3.29% of GDP (R&D expenditure (EUR million) by year and information. PxWeb)

([78]) Research Council of Finland (2024), State of scientific research in Finland 2024: Statistics on research funding, research personnel and scientific publishing

([79]) The Academic Freedom Index rests on five key indicators: the freedom to research and teach; the freedom of academic exchange and dissemination; the institutional autonomy of universities; campus integrity and the freedom of academic and cultural expression.

([80]) Finland's value is 0.832 index points in 2024, representing a decline from 0.93 index points in 2023, the world average based on 171 countries was 0.569 index points: https://academic-freedom-index.net/research/Academic_Freedom_Index_Update_2025.pdf

([81]) Finnish Government Helsinki (2024). Multiannual plan for the use of government research and development funding. ISBN pdf: 978-952-383-985-4

([82]) The increase of central government R&D funding will be reduced by EUR 25 million in 2026 and by EUR 80 million in 2027 (Government's decisions support emerging economic growth)

upcoming new vision for higher education and research 2040 (VHER) addressing societal changes and setting out long-term guidelines up to 2040 ([83]), and a stakeholder consultation was launched in 2025 ([84]). In addition, the Research and Innovation Council recently presented the strategic choices for RDI, in order to maximise investments in key sectors ([85]). The commitment to increase R&D expenditure is key to addressing the 2025 CSR on *continuing pursuing the 4% target of R&D GDP intensity*.

## Business innovation

**The innovation system in Finland is solid, despite some recent signs of weakening.** Business expenditure on R&D has consolidated over time, now amounting to 2.19%, compared to the EU average of 1.49% ([86]). While the spending on R&D is still mainly anchored to the ICT sector ([87]), R&D activity in the service sector remains comparatively limited, partly because many existing policy instruments were originally designed for hardware-based and extractive industries.([88]) Despite the proportion of business expenditure on R&D performed by SMEs as a percentage of GDP being higher than the EU average, it has stagnated since 2020 (decreased to 0.68 in 2023, compared to 0.72 in 2020) ([89]). Furthermore, Finland also performs well in the area of intellectual assets, with its patent applications filed under PCT per billion GDP standing at 4.9 in 2022 ([90]), above the EU average of 2.8, but decreasing in comparison with recent years. According to the IMF, there is evidence that the formation of high-growth firms, 'gazelles', has slowed in recent years ([91]).

**The uptake of digital technologies by businesses in Finland is continuously increasing, reaching top levels compared to its EU counterparts**. In 2025, close to 95% of SMEs had at least a basic level of digital intensity, the highest result in the EU. The use of AI (37.82%), data analytics (45.14%) and cloud (73.12%) by companies continued to grow, achieving results not only above EU average but also the highest in the EU, as shown by the example of AI use by firms. To support further adoption and development of digital technologies, Finland is focusing on reinforcing its AI ecosystem through implementation of the LUMI AI factory ([92]) and coordination of public and private efforts related to AI development. The country has started implementing the data economy growth programme to increase the impact of earlier actions and funding for data economy provided by Business Finland.

**Public support in Finland for business innovation is low, and it almost completely relies on direct support to companies.** Total public sector support for BERD as a percentage of GDP was 0.09 in 2023 is well below the EU average of 0.21. This is mainly due to low indirect support: even though Finland's tax incentives for R&D expenditure have recently increased, available data proves them to still be low in comparison to the EU average ([93]). Business Finland has in recent years provided business innovation support for large-scale collaboration projects under the 'Veturi' ('Locomotive')

([83]) Vision for higher education and research - OKM - Ministry of Education and Culture, Finland

([84]) Public invited to comment on vision for higher education and research - OKM - Ministry of Education and Culture, Finland.

([85]) National strategic choices for research, development and innovation policy and activities

([86]) Eurostat, [rd_e_gerdtot] GERD by sector of performance

([87]) According to the 2025 edition of 'The EU Industrial R&D Investment Scoreboard', the largest Finnish company, Nokia, accounts for 67% of the overall nominal R&D investment of Scoreboard companies headquartered in Finland and has increased its R&D investments by 2.6% with respect to 2023.

([88]) Policy Support Facility Finland (2025), Final report. Support to Finland on improving R&D collaboration between research organisations and the private sector - Publications Office of the EU

([89]) Business expenditure on R&D (BERD) performed by SMEs as % of GDP in 2023 was for Finland 0.68, vs EU-27 of 0.47, yet it has decreased compared to 0.72 in 2020.

([90]) Eurostat,[rd_e_gerdtot] GERD by sector of performance

([91]) International Monetary Fund (2025), country report n. 25/10, Finland.

([92]) LUMI AI Factory's Hub dedicated to AI innovation has opened at Aalto University's Otaniemi campus in Espoo, Finland. The LUMI AI factory hub is designed to meet the practical needs of students, startups and SMEs, offering an environment where people and organisations can network and turn ideas into tangible innovations. The hub is part of the LUMI AI Factory, the largest of the European Union's 19 AI factories.

([93]) Foregone revenues of R&D tax incentives as % of GDP in Finland is 0.01 in 2023, while the EU-27 stands at 0.10

programme ([94]). Additionally, in order to enlarge the pool of firms involved in R&I and to strengthen entry pathways, the government has proposed to allocate EUR 8 million in the 2026 budget to the Economic Development Centres to launch a three-year pilot aiming to increase the volume of R&I in SMEs ([95]). Whether this initiative, together with other new projects such as the sprint funding call to boost small companies' ambition for international growth ([96]), will effectively replace former fundings that has been closed due to recent cuts to innovation and non-R&D business funding ([97]), remains to be seen. The impact of new fiscal incentives, including the additional R&D tax deduction in 2024 ([98]) and the one on large-scale green tech projects ([99]) have been recently evaluated ([100]), but no data on the increased public support to business R&D has been produced. ([101]) OECD and 4front suggest that there is still scope for a more balanced policy mix, combining direct and indirect public support for business R&D, also aimed at lowering administrative barriers and easing access for SMEs to R&D. A recent study by 4Front and commissioned by the Ministry of Economic Affairs and Employment of Finland calls for targeted policy measures, improved funding structures and stronger incentives for SMEs technology adoption and innovation scaling ([102]).

([94]) Business Finland has launched challenge competitions in which companies with international operations (*Veturi*, which means *locomotive*) agreed to resolve significant future challenges and increase their RDI investments cumulatively by almost EUR 1.5 billion in total. How the leading companies can effectively boost research and innovation investments of the partner research organisations and SMEs requires further assessment, however.

([95]) Orpo Government: Government's decisions support emerging economic growth - Ministry of Social Affairs and Health

([96]) Business Finland - Upcoming Sprint funding call

([97]) What do Business Finland's funding services look like at the beginning of 2026?

([98]) OECD Economic Surveys: Finland 2025, OECD Publishing, Paris.

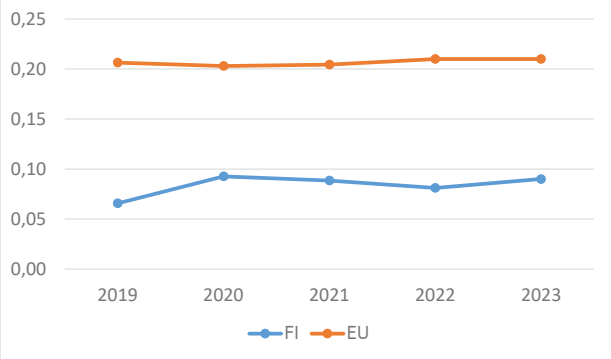
([99]) The government has also introduced a fixed-term tax credit to encourage the private sector to carry out large-scale green tech projects (OECD, 2025, see above)

([100]) Secretariat of the Research and Innovation Council of Finland (2026), "Monitoring and Evaluation Report on State funding for R&D".

([101]) See OECD Economic outlook 2025 (above) and 4FRONT-Policy-Brief "Reclaiming-innovation-leadership".pdf

([102]) From potential to impact: turning SME innovation into growth - 4FRONT OY

Graph A4.1: **Total public support for BERD as % of GDP**




***Source:*** DG R&I, based on Eurostat, 2019-2023

**Science-business linkages need improvement in order to support the commercialisation of innovation.** A downward trend in the frequency of SME collaboration with universities and research institutes has been ongoing since 2010 ([103]), in parallel with a negative tendency in the proportion of public-private scientific co-publications as a percentage of the total number of publications ([104]). Additionally, public expenditure on R&D financed by businesses as a percentage of GDP has more than halved since 2010 ([105]). In order to address these issues, the PSF Final Report ([106]) has suggested a series of actions. These include clearer recognition of universities' third mission in performance agreements, mobility instruments for researchers, such as internships and joint projects to support knowledge transfer, targeted schemes to support SME recruitment of researchers and agile instruments for scaleups, to maintain their integration in the national innovation ecosystem. These initiatives are also key to addressing the 2025 CSR on *stepping up the cooperation between businesses and academia* as well as the implementation of the programme to fund the expansion of PhD places. The policy pilot of this

([103]) Kimmo Halme (2024). 'Support to Finland on improving R&D collaboration between research organisations and the private sector: Background report', European Commission

([104]) 10.82 in 2010, down to 10.28 in 2024, according to Eurostat

([105]) 0.07 in 2010, more than halved in 2023, 0.03 (Eurostat)

([106]) The PSF Country Review process is a key component of the Horizon Europe Policy Support Facility, which provides practical support to design, implement, and evaluate reforms that enhance the quality of research and innovation investments, policies, and system. For example, the PSF Country report of Finland aimed to enhance collaboration between public research organizations and the private sector.

programme will require 80% of the places to be in research fields covered by the Research Council's flagship programme, which funds projects to facilitate collaboration ([107]) between HEI ([108]) and industry. However, closely monitoring the implementation of this measure will be key to ensuring its effectiveness. Furthermore, the government confirmed the inclusion in the 2026 budget of the Rise to Challenge (Näytönpaikka) call for proposals ([109]), aimed at research organisations and seeking the most impactful research initiatives for later utilisation by companies. These are a step in the right direction to boost business-research collaboration.

## Entrepreneurial dynamism

**Finland's startup ecosystem has grown rapidly thanks to a solid base.** TESI ([110]), the state-owned investment company of Finland, reports that in 2025 the Finnish ecosystem encompassed more than 4 000 startup-origin ([111]) companies (up from ~3 821 in 2022), including roughly 2 000 active early-stage startups and tens of scaleups ([112]). The TESI's deep-tech study identifies 285 deep tech companies concentrated around university hubs (Helsinki, Tampere, Oulu and Turku) and reports a record-breaking year in deep tech investment (+170% year-on-year in 2025) ([113]).

**Finnish venture capital expenditure is solid, but startups' ability to scale up could be further supported.** Venture capital as a percentage of GDP is above EU levels ([114]), with a positive early-stage record but a lower proportion of later-stage funding ([115]), reflecting a shortage of Series-B rounds ([116]) (See Annex 6 for more information). However, the IMF indicates that innovative startups are far less leveraged than in European peer countries ([117]), potentially limiting their ability to scale up. According to the IMF, there is room to further increase access to risk capital, including by revisiting tax policy, with the aim of supporting the growth of young, innovative firms.

**Finland performs well in terms of innovation-friendly regulation.** Finland ranks first in the benchmarking of national innovation procurement policy frameworks across Europe ([118]). The country already runs targeted programmes for innovative public procurement ([119]), and it is in the process of amending its public procurement legislation, to also address some issues related to in-house exemptions (See Annex 5). While the national competence network (KEINO) ([120]) to promote public procurement in innovation has finished its mandate period, regulatory sandboxes ([121]) for AI are being designed. All these measures could potentially improve market access for high-growth firms.

**Although Finland's workforce has strong education and digital skills, there is still a shortage of highly skilled workers, especially in engineering, cleantech and other deep tech fields.** Despite Finland's tertiary educational attainment rate being below the EU average in 2025 (38.2% of population aged 25-34 in 2025,

([107]) Pilot projects for doctoral programmes - OKM - Ministry of Education and Culture, Finland

([108]) Higher Education Institutes (HEI)

([109]) Business Finland's funding services 2026

([110]) Finnish Industry Investment Ltd. (TESI).

([111]) The term refers to refers to firms that began life as startups–typically young, innovation-driven ventures–and have since survived and grown beyond the initial startup phase.

([112]) Pääomasijoittajat / Finnish Startup Community / Tesi / FVCA. (2025). Startup Study 2025 (report). (Startup study – Finland).

([113]) Tesi – Finnish Industry Investment Ltd. (2025). Deep-Tech Study Finland 2025 (report). Tesi. Available as PDF.

([114]) Venture Capital in Finland is 0.1 in 2024, against an EU average of 0.06 (Eurostat)

([115]) The percentage of later-stage funding (% of GDP) is 0.03, equal to the EU average, ranking tenth within the EU-27(Eurostat)

([116]) Series B round refers to later-stage venture capital financing in which startups that have validated their product and market fit raise capital to scale operations, expand into new markets and accelerate revenue growth, following earlier seed and Series A rounds.

([117]) International Monetary Fund (2025), country report No. 25/10, Finland.

([118]) Country report 2024 - Policy benchmark Finland

([119]) Innovative public procurement – Business Finland

([120]) A network-based Competence Centre for Sustainable and Innovative public procurement in Finland - Observatory of Public Sector Innovation

([121]) Statement - Lausuntopalvelu

vs EU average: 44.8%), the number of new graduates in science and engineering has increased in the last year (see Annex 13). In 2023, there were 18.65 graduates per thousand population, as compared to the EU average of 17.68, while the number of graduates in the field of computing is well above the EU average (in 2023, 7.44 per thousand population vs EU average of 3.84) ([122]). However, although STEM enrolment is among the highest in the EU, skills shortages and mismatches persist in high-skilled professions including industry and ICT, (See Annex 11) ([123]). The She Figures 2024 reports a clear gender imbalance in the business enterprise sector and in self-employed scientists and engineers and ICT careers, where women remain underrepresented and contribute less to inventorship than their qualifications would allow ([124]). Additionally, there are still barriers to hiring highly skilled foreigners ([125]) and there is potential to improve researchers' entrepreneurial skills, *as indicated in the relevant 2025 CSR*. A strategy to support entrepreneurship was included in the Government Resolution on Entrepreneurship ([126]), but without a specific focus on researchers. Scaling up successful initiatives like the joint StartUp space in Vaasa ([127]) or the inventors training for PhDs of the Aalto University ([128]) to promote entrepreneurship could be a step in the right direction. Implementing the EUR-255-million plan for 1000 new doctoral student places over the period 2024-2027 ([129]) will be key to addressing the 2025 CSR *on improving the entrepreneurship skills and support for researchers*, besides being beneficial for academia-business cooperation. While the national talent boost programme ([130]) for improving retention of international students, researchers, and young professionals in key R&I areas is ongoing, the OECD indicates that there remains room for further improvement in attracting foreign talent.

**Entrepreneurship education has been incorporated into all levels of education in Finland.** The Ministry of Education and Culture published entrepreneurship education guidelines in 2017, which address the topic from early childhood education through to tertiary education. These guidelines are set to be revised and published again in 2026. Entrepreneurship is embedded in the national core curriculum for both basic and upper secondary education and has been further developed at the higher education level. There is engagement in entrepreneurial activities beyond educational institutions, such as Yrityskylä (Entrepreneur-village), a learning environment designed for sixth and ninth graders, as well as upper secondary and higher education students. In Finland, young people display positive attitudes towards entrepreneurship; a survey conducted in 2025 revealed that 51% of lower and upper secondary students expressed a desire to try entrepreneurship, an increase of 13 percentage points compared to 2022.

([122])Eurostat, 2025

([123])Education and training monitor 2025 - Publications Office of the EU (also see Annex 13)

([124])The She Figures report provides statistics on gender equality in R&I across Europe. Since its first publication in 2003, it tracks the representation of women in academia, research careers and leadership roles, examining factors such as gender pay gaps and access to funding: SheFigures 2024 | Research and Innovation

([125])OECD (2025), OECD Economic Surveys: Finland 2025, OECD Publishing, Paris.

([126])Valtioneuvoston periaatepäätös yrittäjyydestä

([127])Higher education institutions in Vaasa open a joint StartUp space - VAMK

([128])Aalto Inventors | Aalto University

([129])Universities receive additional funding for training a thousand new doctoral graduates - OKM - Ministry of Education and Culture, Finland

([130])Talent Boost - Ministry of Economic Affairs and Employment

Table A4.1: **Key innovation indicators**

| Finland | 2010 | 2015 | 2020 | 2022 | 2023 | 2024 | 2025 | EU average(1) | US |
|---|---|---|---|---|---|---|---|---|---|
| **Headline indicator** | | | | | | | | | |
| R&D intensity (gross domestic expenditure on R&D as % of GDP) | 3,71 | 2,89 | 2,93 | 2,98 | 3,09 | 3,22 | : | 2,24 | 3,44 |
| **Science and innovative ecosystems** | | | | | | | | | |
| Public expenditure on R&D as % of GDP | 1,10 | 0,94 | 0,94 | 0,93 | 0,98 | 1,02 | : | 0,72 | 0,64 |
| Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country | 11,64 | 11,58 | 11,88 | 11,91 | : | : | : | 9,44 | 12,31 |
| Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population | 7,00 | 6,10 | 6,30 | 6,40 | 6,70 | 7,00 | : | 4,3 | : |
| International co-publications as % of total number of publications | 47,79 | 57,15 | 64,08 | 64,84 | 64,51 | 65,64 | : | 57,24 | : |
| **R&D investment & researchers employed in businesses** | | | | | | | | | |
| Business enterprise expenditure on R&D (BERD) as % of GDP | 2,58 | 1,93 | 1,96 | 2,03 | 2,09 | 2,19 | : | 1,49 | 2,69 |
| Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP | 0,50 | 0,53 | 0,72 | 0,64 | 0,68 | : | : | 0,47 | 0,30 |
| Researchers employed by business per thousand active population | 8,80 | 8,20 | 9,40 | 10,00 | 10,20 | 10,70 | : | 5,9 | : |
| **Innovation outputs** | | | | | | | | | |
| Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €) | 8,37 | 6,17 | 6,01 | 4,92 | : | : | : | 2,81 | 2,20 |
| Employment share of high-growth enterprises measured in employment (%) | : | : | 1,24 | 1,43 | 1,12 | : | : | 0,87 | : |
| **Digitalisation of businesses** | | | | | | | | | |
| SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%) | : | : | : | : | 85,59 | : | 94,04 | 71,39 | : |
| Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%) | : | : | : | : | 40,55 | : | 45,14 | 39,85 | : |
| Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%) | : | : | : | : | 72,99 | : | 73,12 | 46,69 | : |
| Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%) | : | : | : | : | 15,10 | 24,37 | 37,82 | 19,95 | : |
| **Academia-business collaboration** | | | | | | | | | |
| Public-private scientific co-publications as % of total number of publications | 10,82 | 10,34 | 10,54 | 10,58 | 10,44 | 10,28 | : | 7,62 | : |
| Public expenditure on R&D financed by business enterprises (national) as % of GDP | 0,07 | 0,05 | 0,03 | 0,03 | 0,03 | : | : | 0,06 | 0,02 |
| **Public support for business innovation** | | | | | | | | | |
| Total public-sector support for BERD as % of GDP | 0,08 | 0,08 | 0,09 | 0,08 | 0,09 | : | : | 0,21 | : |
| R&D tax incentives: foregone revenues as % of GDP | 0,00 | 0,00 | 0,00 | 0,00 | 0,01 | : | : | 0,10 | 0,16 |
| BERD financed by the public sector (national and abroad) as % of GDP | 0,08 | 0,08 | 0,09 | 0,080 | 0,08 | : | : | 0,11 | : |
| **Financing innovation** | | | | | | | | | |
| Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average) | 0,06 | 0,06 | 0,13 | 0,15 | 0,11 | 0,10 | : | 0,06 | : |
| Seed stage funding share (% of GDP) | 0,00 | 0,00 | 0,01 | 0,02 | 0,02 | 0,02 | : | 0,01 | : |
| Start-up stage funding share (% of GDP) | 0,03 | 0,03 | 0,05 | 0,06 | 0,05 | 0,05 | : | 0,03 | : |
| Later stage funding share (as % of GDP) | 0,03 | 0,02 | 0,07 | 0,08 | 0,04 | 0,03 | : | 0,03 | : |
| **Innovative talent** | | | | | | | | | |
| New graduates in science & engineering per thousand population aged 25-34 | 16,94 | 17,85 | 18,42 | 17,69 | 18,65 | 20,79 | : | 16,82 | : |
| Graduates in the field of computing per thousand population aged 25-34 | 6,21 | 5,44 | 6,74 | 6,68 | 7,44 | 8,86 | : | 3,84 | : |

(1) EU average for the last available year or the year with the largest number of country data.
* break in series
***Source:*** Eurostat, OECD, DG JRC, Science Metrix (Scopus), Invest Europe, European Innovation Scoreboard

**Low growth continues to hinder the Finnish economy, but advances in innovation and green technologies have potential to boost Finland's growth.** Finland is facing demand challenges both in the domestic market and in exports with key trading partners. There is also a challenge in its otherwise well performing public procurement system related to systematic misuse of in-house exemptions. Bankruptcies have increased, and late payments are an issue, with administrative burden also hindering Finnish companies. Digital public services are, however, excellent, and Finland is a digitalisation and innovation front-runner. Finland also has a significant competitive advantage in green technologies and is a mineral-rich country. For Finland, the 2025 country-specific recommendations (CSRs) associated with the Single Market and industry focused on improving commercialisation of innovation, and boosting public and private investment in the decarbonisation of industry and transport as well as in the development of green technologies, including circular economy solutions.

## Business dynamics

**Finland's economy continues to struggle in 2025.** High global uncertainty and challenges of key trading partners influence Finland's growth ([131]) and lack of demand for products and services hinders Finnish businesses ([132]). The country's economic challenges are particularly visible in the increased level of bankruptcies ([133]) and in one of EU's highest unemployment rates ([134]). Despite this, Finland continues to perform particularly well in innovation ([135]), advancing in the green transition ([136]) and also climbing to 14th place in the 2025 IMD world competitiveness ranking ([137]), thereby showcasing the country's relative strengths.

**The Finnish economy is not particularly dynamic** with business churn at 17.78%, slightly below the EU average (18.97%). Both business birth and business death rates have remained relatively stable in recent years, with the business death rate trending up at 8.79% in 2023. Bankruptcies in Finland have increased significantly since 2021, reaching 41% by 2024 ([138]). A total of 3 488 Finnish companies went bankrupt in 2024. A particularly high share of construction sector companies were included. Bankruptcies in both industry and the construction sector in particular have increased in recent years ([139]). However, the number of employees in bankrupt companies decreased in 2024, indicating that the bankruptcies concerned smaller companies than before ([140]). In 2024, the number of small to medium-sized enterprises (SMEs) in Finland declined, but real added value is expected to grow in 2025. SMEs make up 57.7% of the value added in Finland, which is higher than the EU average of 53.6%. Micro firms are expected to spearhead this recovery, as their growth rate in real value added will exceed 0.9%; nevertheless, large enterprises will experience the strongest growth rate in value added terms ([141]).

**Investment in Finland is average in comparison with the EU level but has been trending down** ([142])**.** Finland is also an average performer in gross fixed capital formation in comparison with other OECD countries ([143]). Low household investment drags down the total investment, with public investment in Finland still above EU average at 4.5% of the GDP in 2025. Finland requested an extension to its medium-term fiscal and structural plan, with investments in R&D, innovation and clean transition included in Finland's recovery and resilience plan as one part of the set of reforms and investments

([131]) OECD Economic Surveys: Finland 2025 (EN).

([132]) ECFIN BCS and EIB Investment Survey 2025: Finland overview.

([133]) Statistics Finland - Bankruptcies.

([134]) Eurostat: [une_rt_m] Unemployment by sex and age - monthly data.

([135]) ec_rtd_eis-country-profile-fi.pdf.

([136]) Confederation of Finnish Industries - Green transition investments in Finland. Extracted on 5/1/2026

([137]) Finland - IMD business school for management and leadership courses.

([138]) [sts_rb_a] Business registration and bankruptcy index by NACE Rev.2 activity - annual data.

([139]) Statistics Finland - Bankruptcies.

([140]) Statistics Finland – Bankruptcies.

([141]) 2025 SME country fact sheet Finland.

([142]) Eurostat.

([143]) OECD Dashboard of Productivity Indicators | OECD.

underpinning the extension ([144]). Business investment in Finland was at 12.7% of GDP in 2025, only slightly above EU average 12.6%. The share of Finnish firms investing remains high at 96%, unchanged from EIBIS 2024 and well above the EU average (86%) ([145]). Firms' investment is also directed to more ambitious goals than the EU average. Capacity expansion (26%) and investing in new products (22%) are higher than the EU average and this gap is expected to widen as Finnish firms are planning to prioritise capacity expansion ([146]). The Room for Growth project, which centred on promoting economic growth in Finland, concluded its report in 2025. The most important proposals concern supporting renewal in the business sector, and requiring competitive operating conditions for high-productivity growth companies on the one hand, and investments in the clean, green transition in the industrial sector on the other. In practice, proposals include, among other things, a corporate tax deduction based on R&D investments and investments in the clean transition, increasing state capital investment in non-listed companies, raising the higher education level to 50%, securing resources for the new permit authority and expanding the end-markets for products related to the clean and green transition ([147]).

## Business environment

**Finnish companies dedicate an average of 16% of their investment to R&D, more than double the EU average (7%).** Finland is an innovation leader, performing at 125.3% of the EU average in 2025 (for more information see Annex 4). However, direct and indirect government support of business R&D in particular is low in Finland ([148]). This is despite front-runner schemes such as the Finnish Veturi (Leading company) model, also supported by the Finnish recovery and resilience plan. Among firms that invested in the last financial year, 11% received policy support, which is below the EU average of 16% ([149]).

**Finland has a 2025 CSR (3) on pursuing the ambitious 4% R&D target and improving the commercialisation of innovation**. Finland is taking action on this through its R&D funding and has increased R&D investments in higher education institutions, research organisations and companies through Business Finland and the Research Council of Finland. Business Finland's funding provides grants and loans for research, development and co-innovation projects, including innovation ecosystems. Business Finland has several programmes in place to improve industry-research collaboration and there are also R&D tax deductions for the private sector. A dedicated cluster policy could yet further support innovative collaboration between enterprises and R&D actors and facilitate investments in new technologies. The strong focus on R&D funding in Finland is decreasing the share of innovation funding in Finland, which is also essential for commercialisation and particularly important for SMEs. This decrease crucially also affects export support. The scale-up of innovative companies also continues to face challenges in particular due to lack of available large-scale funding – a gap that state-owned investment company Tesi is aiming to address ([150]) (for more information see Annex 4). Specifically on entrepreneurship skills, Finland reports that it has strengthened entrepreneurship education at all levels, e.g. through national strategies and entrepreneurship programmes in higher education ([151]). Special field-specific programmes on improving the entrepreneurial skills of researchers also exist at Finnish universities (for example the Aalto Inventors programme at Aalto University ([152]).

**Finland positions itself as a technological leader with digitally agile enterprises, skilled people and a strong semiconductor industry**. Finland also provides cross-sectoral support for artificial intelligence (AI) and other disruptive technologies, and uptake of AI in businesses is

([144]) Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Finland.

([145]) EIB Investment Survey 2025: Finland overview.

([146]) EIB Investment Survey 2025: Finland overview.

([147]) Final Report of the Room for Growth Project – Summary.

([148]) ec_rtd_eis-country-profile-fi.pdf.

([149]) EIB Investment Survey 2025: Finland overview.

([150]) Tesi to become an even stronger promoter of growth, renewal and investment - Finnish Government.

([151]) Government information.

([152]) Aalto Inventors | Aalto University.

quite high ([153]). 66% of Finnish firms use generative AI according to the EIB Investment Survey 2025, significantly higher than the EU average of 57%. While Finland's gigabit infrastructure requires further development, digital public services are widely available to people and businesses in Finland ([154]).

**Although the trends for connectivity infrastructure are promising, there is still room for improvement, especially for the development of very high-capacity networks.** On the positive side, Finland boasts excellent 5G infrastructure. Very-high-capacity-network (VHCN) coverage increased from 77.7% in 2023 to 81.7% in 2024, but was still slightly below the EU average. However, VHCN coverage in rural areas stood at 50%, much lower than the EU average of 61.9%. Similar trends concerned Finland's fibre-to-the-premises (FTTP) coverage. As regards mobile coverage, overall 5G coverage increased to 99.5% (above the EU average of 94.4%), close to saturation levels. Beyond market trends, broadband development is supported by the Recovery and Resilience Facility and the European Agricultural Fund for Rural Development.

**Uncertainty about the future, the lack of demand for products and services and availability of skilled staff are Finland's three biggest investment obstacles**. In general, Finnish firms report fewer investment obstacles than the EU average. Compared with the EU average, a significantly higher share of Finnish companies report low demand for products or services as being a major obstacle. Meanwhile only 15% of Finnish firms report the availability of skilled staff as being a major obstacle, compared with 52% across the EU. ([155]) However, unemployment is a major issue in Finland and return to economic growth is likely to worsen the availability of skilled staff (see Annex 11 and Annex 13).

**Access to finance is not a key issue for Finnish companies but there is room for improvement.** Availability of finance is reported as being an obstacle to investment by 42% of Finnish companies, slightly lower than the EU average of 45% but higher than in the previous year. The share of finance-constrained firms in Finland is 9.6%, above the EU average of 6.1%. This share is significantly higher among micro/small companies. (See Annex 6.)

**Late payments remain a concern in Finland**. In 2024, a total of 51% of companies in Finland indicated difficulties caused by late payments. The payment gap in business-to-business (B2B) payments was 16.95 days in 2024, lower than the previous year and lower than the EU average (17.44 days). Beyond paying late, extending payment terms is also relatively common and 58% of Finnish companies report having accepted longer payment terms than they are comfortable with, in order not to damage relationships with their clients. Some larger companies seem to use their leverage to force smaller players to accommodate their terms ([156]). For SMEs, the proportion of businesses that had experienced late B2B payments in the previous and current quarter was still 44% in 2025, lower than the EU average of 47.1%, while 11.8% had experienced late government-to-business (G2B) payments, which is also lower than EU average of 15.9%. In G2B payments, the payment gap was 13.44 days in 2024, slightly worse than the previous year but still around the EU average (13.63 days) ([157]). It takes the Finnish government seven days longer than businesses to pay their suppliers. The average payment period of public authorities has remained stable since 2022, standing at 68 days in 2024. This places G2B payments in Finland below the EU average of 70 days ([158]), leaving room for improvement.

## Single Market and barriers

**Finland has a particularly low level of EU trade integration.** EU trade integration (measured as the average of intra-EU imports and exports against GDP) continues to be only 24%. For a small economy, this is very low, as mostly large countries, such as France and Germany, have lower values than Finland. An increasing share of

([153])Finland 2025 Digital Decade Country Report.

([154])Finland 2025 Digital Decade Country Report.

([155])EIB Investment Survey 2025: Finland overview.

([156])EU Payment Observatory Annual Report 2025.

([157])Intrum.

([158])EU Payment Observatory Annual Report 2025.

exporters in Finland which is above the EU average (Finland 79% vs EU 60%) report that they have to comply with differing requirements and standards across EU countries ([159]). This suggests that regulatory complexity across the EU might hinder Finnish companies in particular.

**Lack of demand is a critical issue for Finnish businesses.** 75% of Finnish companies consider it an investment obstacle, which is both higher than the previous year and the EU average of 55%. 33% of companies even consider this to be a major obstacle to investment. While this issue seems to plague all sectors, it affects both services and infrastructure even more (over 80% of companies). In terms of factors limiting production, lack of demand is the most critical factor for the three sectors of industry, services and construction ([160]). Making it easier for Finnish companies to reach the wider EU market could help to boost demand. Finland also performs particularly weakly in terms of exports of medium and high-tech products ([161]). Export support in these areas in particular would be useful in order to increase high value-added exports.

**55% of Finnish companies cite business regulations and 44% of Finnish companies cite labour regulations as an obstacle to investment, both lower than the EU average (69% and 64%).** The overall share of companies citing business regulations as an obstacle to investment slightly increased but only 9% of Finnish companies perceive business regulations to be a major obstacle to investment ([162]) – the lowest share within the EU. However, a recent study by the Confederation of Finnish Industries indicates a significant regulatory cost in Finland, more specifically that regulations imposed annual costs of EUR 5.6-7.0 billion on Finnish companies in 2024. These costs derived from a variety of different types of legislation, with sector-specific legislation, environmental legislation and financial reporting being major sources of the regulatory burden ([163]).

**Further work is needed to reduce the administrative burden on businesses.** In this area, Finland performs at around the OECD average ([164]). Finland has in place a 'one-in one-out principle', which has been applied by all Finnish ministries since 2024. The progress towards the target is monitored on an annual basis through the government's administrative burden reports, the latest indicating a reduction in administrative burden of EUR 0.4 million per year in 2025, adding to the EUR 119.5 million from the previous year ([165]). Regarding licensing and permitting, Finland set up a national one-stop shop, the Finnish Supervisory Agency, to deal with environmental licences and permits in 2026. (For more information, see Annex 7.) Beyond assessing and removing administrative burden, the Finnish government also aims to promote digitalisation and streamlining permit processes ([166]). Finland has a fairly competition-friendly regulatory framework for professional services and most of the professions in Finland are more competition-friendly than the OECD median ([167]). However, some professions such as providers of transport by rail and providers of natural gas face quite stringent regulations. In addition, the Services Trade Restrictiveness Index increased in Finland in 2025 and is above the OECD median, partially driven by the changes in the new Construction Act regulating some tasks undertaken by construction engineers and architects. The regulatory barriers within the European Economic Area (EEA) are still significantly lower in comparison to barriers outside EEA ([168]).

**Finland demonstrates sound compliance with EU Single Market legislation**. Both the transposition and conformity deficits in Finland are better than the EU average. However, the percentage of incorrectly transposed directives (conformity deficit) increased to 0.9% in 2025 (EU average: 1.1%) and the transposition deficit increased to 0.6% in 2025 (EU average: 1.1%).

([159]) EIB Investment Survey 2025: Finland overview.

([160]) ECFIN BCS.

([161]) ec_rtd_eis-country-profile-fi.pdf.

([162]) EIB Investment Survey 2025: Finland overview.

([163]) Study-on-Regulatory-Costs__EK_6.11.pdf.

([164]) Finland_PMR country note.pdf.

([165]) Yksi sisään, yksi ulos – Vuosittainen taakkaraportti 2025 : Sääntelytaakan ja norminpurun tilannekatsaus

([166]) Government information.

([167]) OECD PMR country note Finland Part of the barriers highlighted in the 2025 Single Market Strategy ('Terrible Ten').

([168]) OECD, 2026, *Services Trade Restrictiveness Index (STRI),* OECD Services Trade Restrictiveness Index Finland.

Despite this, Finland remains among the best performers when it comes to the transposition deficit and still meets the 1% target set by the EU Council. Finland also has the second lowest number of Single Market infringement cases of any Member State, only 9 compared with EU average 25. In 2025, Finland resolved 84.2% of the SOLVIT cases it handled as lead centre (the EU average was 84.6%) ([169]).

**Compliance of products circulating in the Single Market** ([170]) **is key to ensuring a level-playing field for law-abiding companies and the safety of consumers.** In Finland, the number of market surveillance investigations has increased compared with 2019. In 2025, national authorities reported in the EU system for market surveillance (ICSMS) a total of 72.2 investigations per one million inhabitants, which is lower than the EU median of 136.2. The number of notifications remains limited in absolute terms, which may also be the result of insufficient IT national interoperability to the ICSMS system. The upcoming revision of the Market Surveillance Regulation will upgrade ICSMS to a fully interoperable EU digital platform.

**A well-functioning European Standardisation System depends heavily on the contribution of National Standardisation Bodies,** which are instrumental in overcoming persistent obstacles, such as the so-called "Terrible Ten", that continue to constrain the full potential of the Single Market and the global competitiveness of EU businesses. In this context, strengthening the national standardisation capacity in Finland is increasingly important, particularly as technological change accelerates with advances in fields like artificial intelligence and quantum technologies. Ensuring adequate resources will be critical to securing the expertise needed for high-quality and timely standardisation processes, while also reinforcing Finland's position in global markets. Failure to invest sufficiently risks weakening Europe's influence in setting international standards, with potential consequences for both the cohesion of the Single Market and the EU's long-term strategic autonomy. For this reason, enhanced national support from Finland is essential to ensure its standardisation system remains responsive, forward-looking, and globally competitive.

**Finland performs well on public procurement competition and transparency indicators.** Finland continues to be among the top EU performers in the share of single bid awards, which has been fluctuating around 15% for the past five years. The percentage of direct awards was 4% in 2025, below the EU median ([171]). Finland is also one of the frontrunners in Europe and the world in applying strategic dimensions of public procurement and in setting up innovation goals for public procurement.

**However, Finland is facing serious challenges in its public procurement system due to systemic risks and misapplication of the in-house exemption, as confirmed by data provided by the Ministry of Economic Affairs and Employment and the Finnish Competition and Consumer Authority, and the findings of the National Audit Office of Finland.** In-house entities are not systematically monitored, and in many cases, companies treated as being in-house in nature are only marginally owned by public authorities. Notably, the Finnish Competition Authority estimates that approximately 56% of all public ownership stakes in in-house entities are below 1%, which makes it difficult to demonstrate the core requirement of the in-house exemption, namely genuine control comparable to that exercised over an authority's own departments. Transparency concerning in-house entities is severely and structurally limited. Finland lacks a comprehensive national register of in-house companies, micro-ownership data are not collected (according to the Ministry of Economic Affairs and Employment, the State Treasury records only ownership shares exceeding 10%), and in-house entities are not subject to the Act on the Openness of Government Activities (Act No 621/1999), meaning that key information on their ownership, governance and activities is not publicly accessible. Moreover, the National Audit Office found deficiencies in the completeness and accuracy of reporting on in-house entities by wellbeing services counties ([172]). As a result, oversight bodies

([169]) Part of the barriers highlighted in the 2025 Single Market Strategy ('Terrible Ten') Source: European Commission, *Single Market and Competitiveness Scoreboard*, Ec.europa.eu

([170]) Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

([171]) Single Market scoreboard.

([172]) https://vtv.fi/en/report/procurements-from-in-house-entities-in-wellbeing-services-counties/

cannot reliably verify compliance with the conditions laid down in EU procurement law.

**The National Audit Office of Finland, in its 2025 audit on central government in-house procurement ([173]), highlighted issues related to the 80% activity requirement, under which an in-house entity must carry out at least 80% of its activities for its controlling public authorities, where in-house entities operate through group structures.** As confirmed by the Court of Justice in Case C-692/23 (AVR-Afvalverwerking), where an in-house entity is the parent of a group and subsidiaries carry out market activities, compliance with this requirement must be assessed by reference to the group's turnover.

**Finland is in the process of amending its public procurement legislation, with a proposal presented to the Parliament in early February.** Based on the information currently available, this legislative amendment is limited to the introduction of a minimum ownership threshold (10%) for the use of the in-house exemption. On its own, this measure is not sufficient to address the structural governance, transparency and supervision shortcomings identified.

**Taken together, the issues identified point to structural weaknesses in Finland's approach to in-house procurement that go beyond isolated cases or technical shortcomings.** Without complementary measures addressing transparency, governance and effective supervision, there is a risk that legislative changes alone will not ensure compliance with Article 12 of Directive 2014/24/EU or prevent continued reliance on in-house arrangements that distort competition.

**Businesses' views on corruption risks in public procurement are below the EU average.** In Finland, 53% of companies (EU average: 58%) consider tailor-made specifications for particular companies in public procurement procedures, and 33% (EU average: 53%) conflicts of interest in the evaluation of bids, to be a 'very' or 'fairly widespread' practice. Among companies that have experience of and have participated in a public procurement procedure, 21% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%) ([174]). 85% of businesses perceive the level of independence of the public procurement review body (the Market Court) to be 'very' or 'fairly good' when it is reviewing public procurement cases ([175]). Public procurement (including bid rigging) is considered the main high-risk sector for corruption ([176]). Legislative amendments enhanced the Finnish Competition and Consumer Authority (FCCA)'s competencies, but business stakeholders highlight the lack of timely and decisive enforcement of its rulings, undermining the credibility of the institution and increasing risks of corruption ([177]).

**Finland's fragmented e-procurement landscape and data quality issues highlight the need for interoperable systems, common standards and stronger data governance.** Given Finland's decentralised e-procurement service, which has between two and five separate procurement services in operation ([178]), economic operators must use several systems to access all public procurement procedures, which creates complexity and barriers to participation. This fragmentation underscores the need for introducing interoperability and common standards. The once-only principle is only partially implemented at national level (see Annex 7), and buyers across the EU still lack digital access to relevant evidence. Authorities also report issues with unreported contract award notices (CANs) and unstructured data from tender bids across services, underscoring the need to ensure structured data management ([179]). Therefore, the Finnish system would benefit from a dedicated public procurement data collection and analysis

([173]) https://vtv.fi/en/report/central-government-in-house-procurement/

([174]) Flash Eurobarometer 557, p. 133.

([175]) Justice Scoreboard (2025), p. 53; Flash Eurobarometer 555, p. 39.

([176]) Rule of Law Report- Country Chapter Finland (2025), p. 11.

([177]) Rule of Law Report- Country Chapter Finland (2025), p. 11.

([178]) As reported in the e-procurement matrix.

([179]) As reported in the e-procurement matrix.

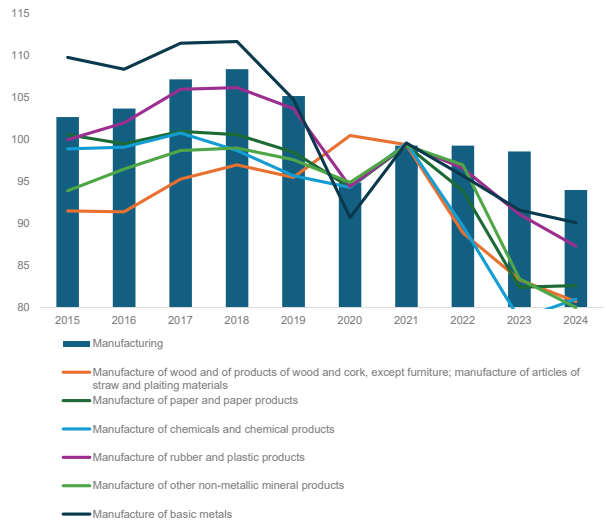
service within the government to support data-driven oversight of the procurement life cycle ([180]).

## Industry and economic security

**Industry gross value added (GVA) constituted 17.8% of Finland's total GDP in 2024 ([181]).** Manufacturing is an important component within industry, alone making up almost 80% of the GVA of industry. The GVA of both industry and manufacturing has been decreasing since 2022([182]), with manufacturing also clearly decreasing in terms of output. Within manufacturing, important sectors include machinery, computer and electronic products, fabricated metals and chemicals. Paper products is also a sizeable sector in terms of value added. Many of these sectors are included in the energy-intensive industries (EIIs), which in Finland, as in many other countries within the EU, were hard hit by the shock in 2022 (see Graph A5.1). However, energy prices in Finland are not as serious an issue as in other EU Member States, with only 7% of firms reporting it as being a major obstacle to investment, which is significantly lower than the EU average of 41% ([183]). In fact, Finland has the lowest electricity prices for non-household consumers within the EU (0 061 vs EU 0.155). (See also Annex 9.)

**Machinery and motor vehicle products were the biggest export group in 2024, accounting for 20.6% of all Finnish exports.** The machinery industry in Finland is significantly bigger than the motor vehicle industry in terms of value added ([184]), but the automotive industry is quite an important employer in southern Finland. According to a recent economic brief, this region has been particularly affected by the automotive sector's industrial decline and would struggle to cope with the decline of the automotive industry ([185]). The Finnish state recently became a majority owner of a car manufacturer, Valmet Automotive, which is now planning to expand to the defence industry, which is another important industry in Finland ([186]). There are also growth companies, such as the satellite company Iceye, which are operating in the defence industry.

Graph A5.1: **Manufacturing industry production: total and selected sector, index (2021=100), 2015-2024**




***Source:*** Eurostat

**Beyond machinery, the chemical industry in Finland is traditionally one of the biggest exporters and in 2024 made up 18.9% of all Finnish exports ([187]).** However, exports from the chemical sector decreased by 12% in 2024, reflecting the challenging business situation in the chemical industry. Despite this, the industry's expectations tend to be slightly positive ([188]).

([180]) European Court of Auditors, Special Report 28/2023: *Public Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to 2021*, 2023, Special report 28/2023: Public procurement in the EU.

([181]) Eurostat: [nama_10_a10] Gross value added and income by main industry (NACE Rev.2 ).

([182]) Eurostat: [nama_10_a64] Gross value added and income by detailed industry (NACE Rev.2 ).

([183]) EIB Investment Survey 2025: Finland overview.

([184]) [nama_10_a64] Gross value added and income by detailed industry (NACE Rev.2 ).

([185]) Mapping the impact of industrial decline, European Commission 2025.

([186]) Valtiosta tulee Uudenkaupungin autotehtaan enemmistöomistaja – autoteollisuuden alavire ajoi tehtaan valtion syliin | Uutisia lyhyesti | Yle; Patria has agreed to collaborate with Valmet Automotive on the technology transfer and production of first armoured vehicles | Patria

([187]) Kuvioita Suomen ulkomaankaupasta 2024.

([188]) Facts and figures - Kemianteollisuus.

**Work on decarbonising traditional industries is ongoing.** Since 2020, Finland has put in place sectoral low-carbon road maps. These road maps were updated in 2024 and highlight access to clean energy as well as international competitiveness as preconditions for the clean transition. Electrification of production processes and hydrogen are important topics for multiple industries ([189]). Finland has a 2025 CSR (4) on boosting public and private investment in decarbonisation of industry and transport, including through electrification. In 2025, Finland had a clean transition aid scheme worth EUR 400 million ([190]) which gathered wide interest ([191]) and resulted in EUR 312 million in funding in 2025 ([192]). Finland also has a tax credit in place for certain investments in the climate-neutral economy, including industrial decarbonisation, which resulted in a total EUR 2 billion of granted tax credit in 2025. The continuation of this tax credit scheme for investments in clean transition is now being discussed ([193]). There are numerous planned investments in the clean transition and Finland's transmission system operator Fingrid has received inquiries about grid connections accounting to 70 GW of electricity consumption. The Ministry of Employment and Economic Affairs is also fostering the development of industrial parks, which can help in the electrification and exploitation of side streams from other production plants ([194]). (For more, see Annex 8.)

**Beyond decarbonisation, the low level of resource productivity in Finland also warrants attention.** Resource productivity, measured as gross domestic product (GDP) over domestic material consumption (DMC), has been undergoing a slight improvement in Finland but the country still has the second lowest level of resource productivity within the EU. Moreover, the circular material use rate in Finland is significantly lower than the EU average, only 2% compared with 12.2% in 2024. (For more, see Annex 8.)

**Finland has important comparative advantages in clean technologies due to its abundant clean energy, technical expertise and wide support for the transition to net zero.** 46% of Finnish firms consider the transition to stricter climate standards to be an opportunity, compared with the EU average of 27% ([195]). A recent OECD analysis also highlights Finland's potential in terms of the green industrial transition ([196]). Finland's manufacturing capacity across all net-zero technologies remains modest but has significant development potential, particularly in the battery sector ([197]). Finland has production capacity in wind turbine generators, lithium-ion batteries and heat pumps. Numerous investments are planned throughout Finland, for example in wind power, hydrogen and battery technologies ([198]). According to the Confederation of Finnish Industries, around EUR 303 billion of green transition investment is planned in Finland by 2035 as of March 2026. In the hydrogen sector, Finland is aiming to account for 10% of the EU's green hydrogen production and processing capability by 2030 ([199]). Hydrogen pipelines are being constructed to connect production in western Finland with uptake in southern Finland ([200]). The hydrogen ecosystem in Finland is undergoing rapid development, but Finnish clean industry is plagued by economic and regulatory uncertainty and low global demand for clean products. The industry is calling for clarity, commitment to the green transition and further action on ensuring demand ([201]).

**Finland has progressed effectively in implementing the Net-Zero Industry Act (NZIA).** It has successfully designated a single

([189]) Yhteenveto toimialojen vähähiilitiekartoista 2024.

([190]) Hallitus hyväksyi puhtaan siirtymän teollisten investointien tukiohjelman: tukea varattu 400 miljoonaa euroa vuodelle 2025 - Valtioneuvosto.

([191]) Teollisuuden investointituet viidelle suurelle puhtaan siirtymän investointihankkeelle

([192]) Business Finland myönsi viime vuonna rahoitusta yli miljardi euroa

([193]) Puhtaan siirtymän investointien verotuen jatkon valmistelu etenee - Valtioneuvosto

([194]) Government information.

([195]) EIB Investment Survey 2025: Finland overview.

([196]) OECD Economic Surveys: Finland 2025 (EN).

([197]) European Commission: Directorate-General for Energy, The net-zero manufacturing industry landscape across the Member 2025, https://data.europa.eu/doi/10.2833/2181110.

([198]) Confederation of Finnish Industries - Green transition investments in Finland. Extracted on 30/3/2026.

([199]) Hallitus hyväksyi periaatepäätöksen vedystä - Suomella edellytykset valmistaa 10 prosenttia EU:n vihreästä vedystä 2030 - Valtioneuvosto.

([200]) Government information.

([201]) Stakeholder feedback.

point of contact, which is crucial for streamlining communication and coordination among stakeholders. It has also established a dedicated website. Furthermore, Finland has put in place a national contact point to process applications, facilitating the advancement of net-zero strategic projects. However, Finland has not yet launched any net-zero strategic projects. Finland has a 2025 CSR (4) on boosting public and private investment in the development of green technologies, including circular economy solutions. The country has strengthened support for the green transition and Business Finland will increase investments in green technologies. Business Finland also has existing schemes, e.g. on circular economy research ([202]).

**Finland is a mineral-rich country and, at EU level, Finland leads in the production of several critical raw materials (CRMs)** ([203]). Furthermore, rare earth elements are also present in the Finnish bedrock, and extraction projects for these are planned ([204]). A total of six projects from Finland, an amount surpassed only by France and Spain, were also selected as strategic projects in 2025 in the context of the Critical Raw Materials Act (CRMA). Finland's mining industry plays an important part in Finland's and the EU's domestic sourcing. The mining tax increase from 0.6% to 2.5% and the use of the standard rate for electricity have increased the operational expenditure of mining operations in Finland, including for EU CRM Act strategic projects. This could reduce incentives to invest in Finland and increase incentives for processing companies to source raw materials from other sources, including from outside the EU. At the same time, while taxes increase, the European Commission has been asked to provide new funding instruments to support the capital and operational expenditure incurred by EU raw materials producers.

**While Finland has significant own extraction, it remains dependent on imports for some materials.** With regard to CRMs, Finland has a level of strategic dependencies which is above the EU level due to a relatively high import concentration level ([205]). However, when it comes to materials more generally, Finland has quite a low level of import dependency (17.5 vs EU 22.4) and has relatively low dependencies on biomass, metal ores and non-metallic minerals. It is heavily dependent only on fossil energy carriers ([206]).

([202])Government information.

([203])RMIS - Country Profiles.

([204])The Sokli studies are progressing – promising findings regarding rare earth elements and critical minerals - Finnish Minerals Group.

([205])COMEXT.

([206])Eurostat.

Table A5.1: **Single Market and Industry**

| Finland | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **POLICY AREA** | **INDICATOR NAME** | | **2021** | **2022** | **2023** | **2024** | **2025** | **EU-27 average** |
| **Business environment and investment** | | | | | | | | |
| **Productivity and investment** | Labour productivity (GDP per hour worked in PPP terms), % of EU27[1] | | 109,0 | 106,4 | 104,7 | 105,9 | 106,3 | 100,0 |
| | Business investment (share of GDP)[1] | | 13,4 | 13,7 | 13,6 | 12,8 | 12,7 | 12,6 |
| | Public investment (share of GDP)[1] | | 4,2 | 4,1 | 4,1 | 4,4 | 4,5 | 3,9 |
| **Business environment and simplification** | Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle[2] | | 9,9 | 9,5 | 5,4 | 8,1 | 9,0 | 34,0 |
| **SME liquidity** | EIF Access to Finance for SMEs index - loans[3] | | 0,40 | 0,40 | 0,39 | 0,27 | - | 0,43 |
| | EIF Access to Finance for SMEs index - equity[3] | | 0,49 | 0,34 | 0,28 | 0,27 | - | 0,19 |
| **Late payments** | Payment gap - corporates B2B, difference in days between offered and actual payment[4] | | 12,8 | 9,9 | 14,4 | 17,8 | 17,0 | 17,4 |
| | Payment gap - public sector, difference in days between offered and actual payment[4] | | 8,2 | 11,5 | 16,0 | 13,2 | 13,4 | 13,6 |
| | Share of SMEs experiencing late payments, %[5] | from private entities in the previous or current quarter | - | - | - | 47,4 | 44,0 | 47,1 |
| | | from public entities in the previous or current quarter | - | - | - | 12,1 | 11,8 | 15,9 |
| **Single Market** | | | | | | | | |
| **Integration** | EU trade integration, average(intra-EU imports + intra EU exports)/GDP, %[1] | | 22,5 | 26,5 | 24,9 | 24,3 | 24,4 | 40,7 |
| | EEA Services Trade Restrictiveness index[6] | | 0,050 | 0,050 | 0,050 | 0,050 | 0,052 | 0,050 |
| **Public procurement** | Single bids, % of total contractors[7*] | | 14 | 14 | 16 | 15 | 16 | 27 |
| | Direct awards, % of negotiated procedures[7*] | | 3 | 3 | 3 | 5 | 4 | 6 |
| **Compliance** | Transposition deficit, % of all directives not transposed[8] | | 0,8 | 0,9 | 0,4 | 0,4 | 0,6 | 1 |
| | Conformity deficit, % of all directives transposed incorrectly[8] | | 1,1 | 1,3 | 1 | 0,6 | 0,9 | 1,1 |
| | SOLVIT, resolution rate per country, %[8] | | 90,91 | 83,3 | 80 | 91,7 | 84,2 | 84,6 |
| | Number of pending infringement proceedings[8] | | 11 | 13 | 11 | 8 | 9 | 25 |
| **Industry and economic security** | | | | | | | | |
| **Energy-intensive industries** | Electricity prices for non-household consumers[1] | | 0,0666 | 0,0904 | 0,0746 | 0,0677 | 0,0612 | 0,1462 |
| | Electrification (electricity as a share of total energy consumption in industry)[1] | | 30,4 | 30,7 | 30,6 | - | - | 32,7 |
| | Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption)[1] | | 42,8 | 47,7 | 50,8 | 52,1 | - | 25,2 |
| **Critical raw materials** | Material import dependency, %[1] | | 19,1 | 18,4 | 16,8 | 17,5 | - | 22,4 |
| | Circular material use rate[1] | | 5,5 | 5,8 | 2,6 | 2,0 | - | 12,2 |
| **Operational cleantech manufacturing capacity in 2025[9]** | - Solar PV (c: cell, w: wafer, M:module), GW | | 0.1 (m) | | - Electrolyzer, GW | | - | |
| | - Heat pump assembly | | - | | - Battery, GW | | - | |

***Source:*** (1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: **Savings and Investment Union summary diagnostic**

| *Topic* | *Main features* | *Relative EU positioning* |
|---|---|---|
| **Asset-backed pension schemes** | Assets at 100.6% of GDP (32.3% in the EU)<br>10-year real return of 3.5 (1.4% in the EU) | Very high pension assets yielding a high real return. |
| **Households' financial assets** | EUR 75 869 per capita (EUR 85 090 in the EU)<br>o/w 13.9% in listed shares and bonds (7.6% in the EU)<br>o/w 15.1% in investment funds (11.0% in the EU)<br>o/w 12.8% in life insurance (13.4% in the EU)<br>o/w 1.9% in pension claims (13.6% in the EU) | A very high share of households' financial assets is invested in equity and in capital markets. |
| **Venture capital (VC)**<br>**Private equity (PE)** | VC at 0.096% of GDP (0.064% in the EU)<br>PE at 0.755% of GDP (0.487% in the EU) | Very high venture capital and high private equity investments. |
| **Capital taxation** | 30% on the first EUR 30 000, 34% above. Dividends from listed companies are effectively taxed at a tax rate of approximately 28.9%. | No preferential tax treatment for equity investments, very high rates of capital taxation. |
| **1-3** **4-10** **11-17** **18-24** **25-27** | Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features. | |

***Source:*** OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (capital taxation).

*Finland stands out as one of the most advanced countries along the main indicators of progress with the policy goals of the Savings and Investment Union (see Table* A6.1*). The Finnish economy relies heavily on medium-sized and large corporates, which account for most jobs and added value. Local companies have a clear preference for equity funding in their funding mix (on top of credit), which is also reflected in the relatively high level of development of the Finnish capital market. The banking sector is well capitalised, profitable and easily meets the credit demand of local businesses. Funding overall is not considered a major issue by local firms ([207]). Households' financial wealth is tied to the equity markets to a much larger extent than the European average. This is due to the large assets-backed pillar 1 ([208]) funds but also supported through the popular local savings and investment account, and more generally due to a rather high degree of financial literacy among the population. Insurance companies are dominated by several players managing the asset-backed part of the local pay-as-you-go (PAYG) pension and have an equity-focused investment portfolio, similarly to local investment funds, which have been growing rapidly over the past decade. The active venture capital ecosystem allows companies to easily find initial start-up financing, but the system fails to follow through at later stages of financing.*

## Business landscape and company funding

**Finland's corporate landscape mirrors broader European patterns.** However, it also exhibits Nordic characteristics of efficiency and specialisation, with a heavy reliance on large export-oriented firms in tech and manufacturing alongside a vibrant SME sector in services (see Annex 5 for more details on the Finnish business landscape). This structure also underscores the imperative for tailored financing mechanisms to bolster firms' scalability. Generally, local firms do not perceive financing as a major obstacle to making investment decisions. Just 9.6% of domestic firms reported to the EIB Investment Survey in 2025 that they were finance constrained, slightly above the EU average (6.1%). This suggests that there is no major financing gap relative to investment demand and perceived investment needs. Finnish corporates rely on a sound mix of internal financing (covering up to 69% of all investment needs, against an EU average of 66%), bank loans and capital market instruments for business funding needs. The average Finnish firm relies on bank loans and overdrafts to a slightly higher extent (31% of total funding) than its average EU peer (about 27%) ([209]). In total, corporate funding in Finland is equivalent to 210% of GDP, about 20 percentage points (pps) lower than the EU average of 230% of GDP. Capital market instruments, including listed shares and bonds, contribute 74.6% to the total

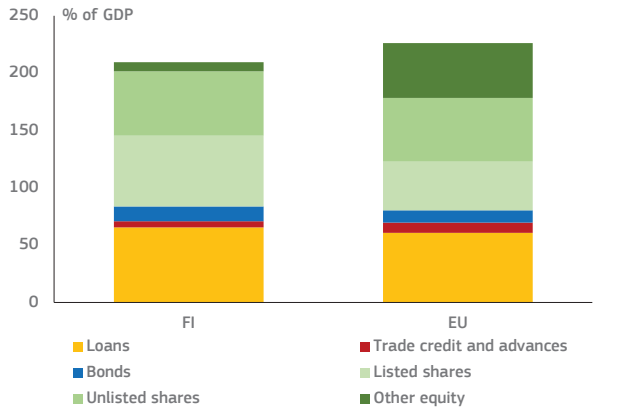
([207])EIB Investment Survey 2024: Finland Country Overview.

([208])The first pillar of the state pension provision.

([209])ECB.

financing of Finnish firms, much more than the EU average of 53.2%. Listed and unlisted shares are equivalent to 118.6% of GDP in Finland, while the EU average stands at 97.9% of GDP. This reliance on equity-based instruments and, in particular listed equities, highlights the level of development of Finland's capital markets and the fact that Finnish investors are more likely to invest in equity-based instruments than their EU peers.

Graph A6.1: **Composition of non-financial companies' funding**




***Source:*** Eurostat. End-2024.

## Size and structure of the financial sector

**Finland's financial sector is dominated by credit institutions.** By mid-2025, the banking sector's total assets stood at 254.8% of GDP, a few percentage points above the EU average of 245.3% ([210]). Foreign presence remains limited, below 10% of total assets, but all lenders have strong ties to other Nordic markets. Non-bank financial intermediaries, particularly investment funds and insurance corporations, are significant, with assets worth 76.9% and 32.6% of GDP respectively in 2024, driven by a strong cultural emphasis on long-term savings. Local private voluntary pension funds (functioning outside of the pensions' pillar 1 funds) manage assets worth 1.2% of GDP. The small size of these voluntary pension funds is mostly explained by the comprehensive and sizeable first-pillar-related pension funds, which by end-2024 managed assets worth EUR 277 billion (roughly equivalent to the country's economic output), and also by the low household awareness of voluntary pension funds.

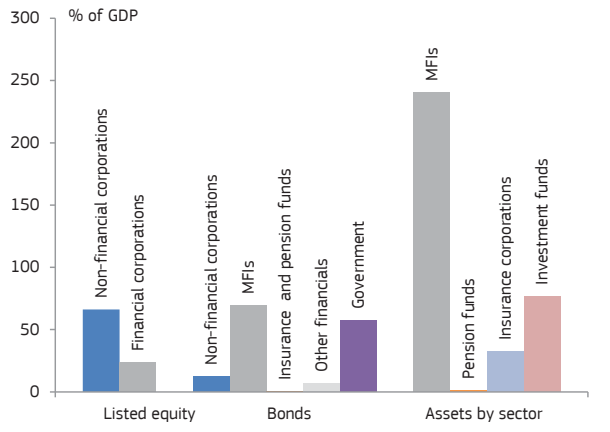
**The capital market is a vital component of the country's financial system.** It is deeply embedded within the broader Nordic ecosystem but exhibits a compact footprint when benchmarked against some bigger European markets. Nasdaq Helsinki stands as the cornerstone equity trading platform in Finland with a market capitalisation equivalent to 97.1% of GDP in 2024, about 30 pps higher than the EU average (see Table A6.2). Non-financial corporations (NFCs) lead with over 66.2% of total market capitalisation, affirming the stock market's crucial intermediary role in channelling savings into the equity of Finland's corporates. Initial public offerings (IPOs) have lost momentum in recent years, registering just 13 new listings across the main market over the past five years. The CCP and CSD infrastructure of the capital market is provided by Nasdaq Clearing AB (Sweden based) for the CCP and Euroclear Finland Oy for the CSD. Finnish authorities, in collaboration with market participants, have been actively pursuing a multifaceted plan to revitalise the domestic capital market ([211]). It emphasises further diversifying NFCs away from loan financing toward equity markets, lowering barriers to IPOs for SMEs, and boosting institutional and retail investor participation to strengthen liquidity and attractiveness. This effort also builds on the EU's Savings and Investments Union (SIU) initiative.

**While NFCs have increasingly turned toward equity markets for funding, their embrace of fixed-income instruments still remains sizeable.** Finnish large and medium-sized firms make ample use of fixed-income financing, although the outstanding volume of non-financial corporate bonds is worth about 12.8% of GDP (vs an EU average of 10.7%), substantially lower than the listed equity financing part of corporate funding. As in most EU Member States, the local bond market remains dominated by monetary financial institutions' issuances (70% of GDP) and domestic sovereign bonds (close to 60% of GDP). Private sector debt securities are overwhelmingly denominated in euro, reflecting a minimal FX risk for local issuers.

([210])ECB.

([211])*Finanssialan kasvustrategia* [Finance sector growth strategy].

Graph A6.2: **Capital markets and financial intermediaries**



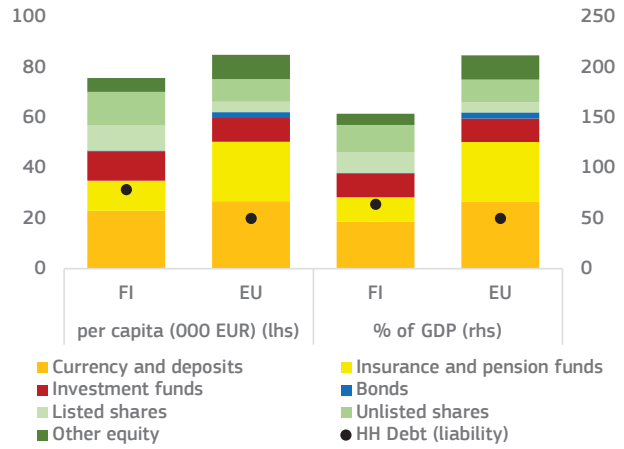

***Source:*** ECB, EIOPA, AMECO. End-2024.

## Households' participation in capital markets

**Rising level of financial confidence across the population.** Finnish retail investors show in on average confidence when managing their financial wealth. Households' financial assets reached 155.5% of GDP at the end of 2024. This is below the EU's average of 212.2% of GDP but significantly higher than most Member States. The average monthly disposable income per capita stood at EUR 2 180 in 2024 (EU average EUR 1 770) ([212]), while the saving rate stood at a relatively low 12.42% (EU average stood at 14.54%). Finnish households stand out for their high direct and indirect participation in capital markets and remain among the most equity-oriented households in the EU. While about 30% of Finnish households' financial assets are held on current accounts and sight deposits (the EU average being 32%), 46% of households' financial wealth is channelled to listed and unlisted shares, investment funds and bonds, against an EU average of 29%. Finns' appetite for direct involvement with the capital market is driven by, among other factors, the increasing popularity of the share savings accounts. Overall, direct ownership of listed equities is quite widespread with approximately a quarter of the adult population being shareholders, while the mandatory earnings-related pension system – with its close to EUR 300 billion (end-2024) of funded assets allocated to global equities and alternative investments – acts as a powerful retirement vehicle that further boosts indirect equity exposure of local households.

([212])Eurostat.

Graph A6.3: **Composition of households' financial assets**




***Source:*** Eurostat. End-2024.

**There is further potential for retail investors to engage with the capital market.** Finnish households' shareholdings have been on the rise, surging 9% year-on-year by Q3-2025, as noted by the central bank of Finland. Despite showing above the EU average engagement with capital markets, local retail investors still have more untapped potential. This hinges partly on further tax incentives and deepening financial literacy. Finnish authorities have laid foundational incentives, notably the *osakesäästötili* (OST) equity savings account. This savings and investment account (SIA) was launched in 2020 with tax-deferred gains on up to EUR 50 000 in holdings initially and further raised to EUR 100 000 more recently. The OST is a relatively popular product (close to 10% of adult Finns opened an OST) though it lacks a tax-free component and its penetration is penalised by the narrow array of investable financial instruments. The 2025 blueprint for SIAs could spark a further revision of the OST account terms possibly expanding eligible assets to bonds, UCITS, and ETFs, which would further raise their attractiveness. Current tax parity on capital gains (in the brackets 30% and 34%) neither penalises nor privileges bonds over equities and local savers are generally more inclined to invest into equities than the average European saver. Financial education is important in Finland and is already embedded in school curricula and regular public campaigns. While it is difficult to objectively

quantify the impact of financial education, it is noteworthy that these efforts correlate with positive household behaviour in capital market participation, further fostering the capital market-oriented savings culture.

## The banking sector: resilience and financing of the economy

**Finland's banking sector shows resilience and meets the financing needs of the domestic economy.** Local lenders maintain robust capitalisation levels reflected in the Common Equity Tier 1 (CET1) ratio of 17.8% at Q2-2025, surpassing the EU average of 16.8%. MREL compliance comfortably exceeds regulatory mandates, and all major financial institutions have successfully passed EU stress tests with acceptable levels of CET1 erosion under adverse scenarios. Liquidity metrics such as the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) reflect the strong liquidity base of local banks. Asset quality remains exemplary, with a non-performing loans (NPL) ratio of 1.4% versus the EU's 1.9%, however, the coverage ratios of NPL at 23.6% (mid-2025) trails the EU average of over 41.6%, signalling scope for enhancement. The banks' asset quality outlook is subject to increased uncertainty due to the geopolitical uncertainty and its impact on energy prices and economic growth. Profitability has thrived over recent years, yielding a return on equity (ROE) of over 13% both in 2024 and 2025, propelled by net interest margin expansion. The local banking sector has also made efforts to cut costs, which results in a cost-to-income ratio of 43.5% (lower than the EU's 52.6%). Yet, the sector has also a few vulnerabilities that warrant ongoing scrutiny. The loan-to-deposit ratio (L/D), at 128.4% by Q2-2025, continues to reflect a relatively strong reliance on wholesale funding, which may flag a potential vulnerability in crisis times. The sector's hyper-concentration – the top five lenders command 82% of assets against an EU average of 51% - poses some systemic risks, which are compounded by high household indebtedness.

**Credit extension to households and corporate clients is heavily driven by current economic uncertainty and follows a highly interest rate-sensitive path.** Lending to households declined throughout 2024, with the overall loan stock contracting by close to 1% year-on-year (end-2024). 2025 remained marked by uncertainty coupled with relatively high unemployment. Household credit stayed virtually flat with Finnish consumers prioritising debt repayments and savings. Credit to corporate clients has transitioned from subdued growth to a slight contraction in the loan stock in the first half of 2025, though new lending activity has been picking up in Q3-2025. The rise in new lending confirms that firms with a solid business case are successfully accessing the funding they need from the domestic banking sector. However, access to financing remains uneven across regions and company types, creating structural challenges for balanced growth.

## Role of non-bank financial intermediaries

**Finland's insurance sector encompasses both traditional life and non-life insurers and institutions managing statutory earnings-related pension providers.** The latter manage part of pillar 1 PAYG pension assets, a cornerstone of the local capital market depth. These specialised pension insurance companies (distinct from life and non-life business) are regulated as insurers and supervised by the local Financial Supervisory Authority (FIN-FSA). This integration is a specific Finnish feature, where mandatory pension provision is decentralised to private insurance-like providers. The local insurance market, like the domestic banking sector, is highly concentrated, with the four largest insurance groups accounting for about 90% of premiums written in 2024. Non-life segments enjoy a quasi-universal uptake bolstered by a strong risk management culture. Life insurance, on the other hand, consists mostly of unit-linked and investment-oriented products covering below 10% of the population and growing modestly. Voluntary life insurance in Finland is a niche segment due to strong statutory survivors' pensions and group life coverage often provided by employers. Total insurance sector assets under management (AUM) reached EUR 194 billion at end-2024 (including PAYG assets), while gross written premiums grew 5.2% to EUR 29.8 billion. The solvency positions of local insurers are robust with life insurers at 222% and non-life at 251% in mid-2025, comfortably above EU averages.

**Finnish insurers pursue a distinctly growth-oriented asset allocation that is heavily skewed toward equities.** This sets the local insurance sector apart from more fixed-income oriented European peers. Equities and equity funds comprise 74% ([213]) of their portfolios, fixed income around 17% (including government and corporate bonds), and real estate 7%, whereas about 2% of the aggregate portfolio was invested into loans and alternative investments. This risk appetite stems predominantly from the long duration of pension liabilities with minimal guarantees, enabling higher equity caps under bespoke solvency rules that are less punitive than standard Solvency II charges. Insurers managing pension funds also benefit from reforms launched in 2025 raising equity limits to 75-85% and refining volatility adjustments. Traditional life and non-life undertakings face much tighter Solvency II constraints, in line with the pan-European rules capping the equity allocation. Life and non-life players invest about 57% of AUM into debt securities, 33% into equity instruments and about 7% into real estate. Bottlenecks for voluntary insurers include capital charges, concentration rules, and liquidity requirements. There are no hard bans for venture capital (VC) allocation, but practical constraints and supervisory oversight limit more aggressive VC uptake compared with listed equity or bonds allocation.

**Finland's asset management industry has exhibited robust expansion over the past decade.** The retail investors' base has been growing steadily, and investment funds (encompassing UCITS and AIF-compliant investment funds) have been efficiently channelling new inflows of household savings into the capital market. At end-2024, total AUM by domestic funds reached EUR 184 billion ([214]) – equivalent to some 67% of GDP, trailing the EU average of approximately 100% of GDP but reflecting steady progress up from EUR 149 billion a year prior. Equity funds dominate the assets' management landscape, capturing over 50% of total AUM, while the bond segment and the mixed funds segment each represent about a fifth of the total AUM. In response to growing retail investor demand, the offerings of sustainable and technology investments have been growing rapidly. The Finnish funds sector is expected to grow further as retail investors are becoming more financially aware. VC and PE (private equity) allocations remain marginal as retail investors favour liquid and less risky investments.

**The segment of voluntary supplementary pensions in Finland remains a niche component of the pension savings landscape given the size of the statutory earnings-related system.** Individual pension insurance policies and long-term savings contracts are managing assets of circa EUR 3 billion in 2024 i.e. less than 1% of GDP and remain stagnant. Participation is limited, covering less than 10% of working-age adults. Asset growth has been slow over recent years, hampered by the relatively low tax deduction ceilings (EUR 5 000 annual limit, until they are abolished in 2027), lack of an auto-enrolment mechanism and cultural reliance on mandatory schemes. Local voluntary pension funds are often perceived as a redundant option when viewed against the statutory earnings-related system and do not offer any major differentiation such as access to different asset classes compared with the statutory product. Furthermore, taxation on gains within the policy is deferred until withdrawal, at which point gains are taxed as capital income (30-34% rate, depending on total capital income). Specific investor profiles invest in voluntary supplementary pension products in Finland, but the product as such remains a niche product with its appeal declining since the discontinuation of the tax deduction system in 2027. Nevertheless, the European Commission's recommendation 2025/2384 encourages Member States to introduce automatic enrolment mechanisms and to set up more integrated national pension tracking systems that enable the public to view and monitor their accrued pension rights across all pillars in a single, accessible place.

## Venture capital ecosystem

**Finland's VC and PE ecosystem continues to thrive.** It is bolstered by decades of innovation policy cultivating a high-tech start-up culture and positioning Finland among EU leaders in deeptech and cleantech ([215]). It is a mature market that has

([213])Finnish Insurance in 2024, Finance Finland.

([214])Finance Finland.

([215])See Annex 4 for more information.

been successfully attracting substantial cross-border capital inflows with on average about 65% of VC volume being international capital. Finnish start-ups raised in 2024 the EUR 445 million of VC and growth funding. Start-up and seed capital were marking a close to 50% year-on-year surge. despite a broader European downturn. When looking at the total amount of investments raised, the market reached EUR 1.4 billion according to the Finnish Venture Capital Association (FVCA). The positive momentum was carried into 2025 as the sector showed further growth in the first half of the year. PE activity was worth 0.755% of GDP (vs the 0.487% EU average) ([216]), sustaining momentum into 2025 amid resilient buyout and growth segments dynamics.

**There are still bottlenecks hampering more dynamic development of the VC market.** Foremost there is the scaling-up bottleneck. Local VCs excel in seed and Series A rounds but falter at growth stages due to a scarcity of large domestic institutional funds capable of leading EUR 50-100 million plus rounds. This forces reliance on international investors, often resulting in ownership dilution and relocation risks for local unicorns or quasi-unicorns. The FVCA estimates an annual EUR 200-300 million funding gap for mid-stage firms. Public listing difficulties further exacerbate the exit strategy conundrum with Nasdaq Helsinki's slow IPO activity stemming from the relatively small bourse size and investor preference for acquisitions over IPOs. Additional headwinds for local start-ups include talent retention amid high living costs and brain drain to the neighbouring Stockholm or to Silicon Valley. The 2025 Slush Survey ([217]) reveals that hiring is a major hurdle for 40% of founders. The Finnish authorities have pursued a multifaceted strategy to continue to invigorate the VC/PE landscape. The 2024-2027 government strategy to bolster entrepreneurship, embedded in the broader plan to push R&D expenditure to 4% of GDP by 2030, encompasses several points ([218]), among which the most important are: (i) granting tax credits for innovation investments, (ii) setting up the Finnish Angel Co-investment Fund (EUR 30 mn for early-stage matching), (iii) TESI (Finnish Industry Investment vehicle) 2024 commitments to VC/PE funds to the tune of EUR 337 million, (iv) eased solvency buffers under the 2025 pension reform allowing up to 85% equity exposures, including into VC/PE operations, (v) simplified access to Business Finland grants, (vi) enhancing regulatory support by the FIN-FSA for FinTech developments under DORA/MiCAR, and (vii) public-private collaborations to expand fund-of-funds vehicles for pension limited partners.

([216]) Differences in VC/PE indicators across annexes reflect the use of distinct data sources. This Annex uses CMU Dashboard data for consistency across CMU indicators, while Annex 4 uses InvestEurope data, which is disaggregated by investment stage. Variations in reported figures are therefore due to underlying source definitions.

([217]) https://slush.org/.

([218]) Some of the milestones have been already implemented; See also Annex 4 on Innovation.

Table A6.2: **Financial sector indicators**

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025-Q3 | EU |
|---|---|---|---|---|---|---|---|---|---|---|
| Banking sector | Total assets of MFIs, % of GDP | 271.0 | 273.5 | 295.6 | 287.9 | 291.5 | 263.9 | 240.7 | 238.3 | 246.1 |
| | Common equity Tier 1 ratio | 17.2 | 17.6 | 18.1 | 17.8 | 17.2 | 18.3 | 18.2 | 18.2 | 16.8 |
| | Total capital adequacy ratio | 20.9 | 21.3 | 21.2 | 21.4 | 20.6 | 22.1 | 22.1 | 21.9 | 20.2 |
| | Overall NPL ratio, % of all loans | 1.5 | 1.4 | 1.5 | 1.2 | 1.0 | 1.1 | 1.4 | 1.4 | 1.9 |
| | NPL ratio, loans to NFCs | 2.8 | 2.5 | 2.5 | 2.1 | 1.3 | 1.5 | 1.7 | - | 3.5 |
| | NPL ratio, loans to HHs | 1.3 | 1.3 | 1.6 | 1.4 | 1.4 | 1.6 | 1.8 | 1.7 | 2.1 |
| | Return on equity ratio[1] | 8.1 | 4.9 | 5.8 | 9.2 | 9.6 | 13.5 | 13.2 | 12.7 | 9.6 |
| | Loans to NFCs, % of GDP | 36.8 | 38.1 | 41.0 | 39.9 | 39.4 | 38.8 | 38.6 | 38.7 | 29.3 |
| | Loans to HHs, % of GDP | 56.3 | 56.3 | 58.5 | 57.7 | 54.6 | 52.5 | 51.8 | 51.3 | 43.6 |
| | NFC credit growth rate, % | 7.9 | 6.9 | 6.8 | 3.2 | 5.7 | 1.2 | -0.3 | 0.3 | 2.5 |
| | HH credit growth rate, % | 2.1 | 2.9 | 3.3 | 4.0 | 1.5 | -1.2 | -0.5 | 0.2 | 2.6 |
| Non-banking sector | Stock market capitalisation, % of GDP | 101.5 | 109.9 | 123.3 | 138.9 | 107.2 | 97.0 | 89.9 | 102.0 | 69.9 |
| | Initial public offerings, % of GDP | 0.27 | 0.12 | 0.28 | 1.37 | 0.14 | 0.00 | 0.00 | - | 0.06 |
| | Market funding ratio | 63.7 | 62.7 | 62.4 | 61.7 | 61.1 | 61.3 | 61.3 | - | 49.7 |
| | Private equity, % of GDP | 0.508 | 0.508 | 0.694 | 0.638 | 0.714 | 0.707 | 0.755 | - | 0.487 |
| | Venture capital, % of GDP | 0.073 | 0.091 | 0.130 | 0.149 | 0.154 | 0.115 | 0.096 | - | 0.064 |
| | Financial literacy, composite index | - | - | - | - | - | 38.0 | - | - | 45.5 |
| | Bonds, % of HHs' financial assets | 1.1 | 0.9 | 0.7 | 0.5 | 0.5 | 0.8 | 0.7 | - | 2.8 |
| | Listed shares, % of HHs' financial assets | 13.1 | 14.5 | 15.3 | 16.3 | 14.4 | 13.8 | 13.1 | - | 4.8 |
| | Investment funds, % of HHs' financial assets | 9.9 | 11.1 | 11.6 | 13.3 | 12.2 | 13.6 | 15.1 | - | 11.0 |
| | Insurance/pension funds, % of HHs' financial assets | 17.2 | 16.9 | 16.1 | 17.1 | 15.8 | 16.3 | 15.8 | - | 27.8 |
| | Total assets of insurers, % of GDP | 31.1 | 32.8 | 34.3 | 36.0 | 29.8 | 30.7 | 32.6 | - | 53.9 |
| | Pension assets, bn EUR | - | - | - | 263.9 | 241.5 | 254.7 | 277.5 | - | 5813.8 |
| | Pension assets, % of GDP | - | - | - | 106.1 | 90.8 | 93.3 | 100.6 | - | 32.3 |
| | 10y real return average of pension assets, % | - | - | - | - | - | 3.3 | 3.5 | - | 1.4 |
| | Pension funds assets, ECB (% of GDP) | - | 1.8 | 1.8 | 1.7 | 1.4 | 1.4 | 1.4 | 1.3 | 23.0 |

| 1-3 | 4-10 | 11-17 | 18-24 | 25-27 |
|---|---|---|---|---|

Colours indicate performance ranking among the 27 EU Member States.

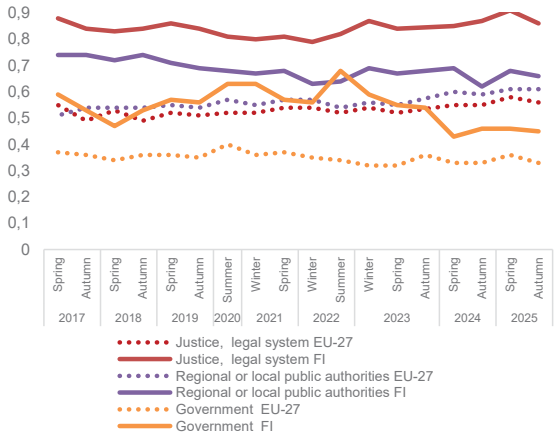
(1) Annualised data. EU data for credit growth and pension funds refer to the EA average.

***Source:*** ECB, Eurostat, European Insurance and Occupational Pensions Authority, DG FISMA CMU dashboard, AMECO.

**An effective institutional framework is essential for competitiveness**. This requires public trust built on integrity, quality legislation, regulatory simplification and efficient services for people and businesses.

## Public trust

Graph A7.1: **Trust in justice, regional / local authorities and in government**




(1) EU-27 since 2019; EU-28 before
***Source:*** European Commission, Standard Eurobarometer surveys.

**Trust in institutions remains well above the EU average.** Trust in the justice and legal system is the highest in the EU and has increased slightly. Trust in regional or local authorities also exceeds the EU average and has risen slightly from 62% to 66% since 2024, although it has fallen 8% since 2017 (Graph A7.1). Both businesses and the public retain confidence in the public administration's ability to handle their data securely and responsibly ([219]). These metrics reflect Finland's sustained trust in public institutions.

## Quality of lawmaking

**Finland's rules for lawmaking show broad alignment with best practice to reduce the regulatory burden and ensure effective implementation, although there is room for improvement**. Performance continues to be generally stronger in stakeholder engagement and *ex ante* impact assessments than in *ex post* evaluation of legislation. However, some practices weaken the ability to monitor implementation of legislation, such as the absence of a formal requirement for the legislature to assess the level of compliance when developing new primary laws (Table A7.1.).

**Regulatory impact assessments (RIAs) are required and conducted for all primary laws and some subordinate regulations.** The RIA Guidelines were renewed in 2022 and extend requirements to include assessment of macroeconomic, financial and indirect costs ([220]). The Finnish Council of Regulatory Impact Analysis, Finland's regulatory oversight body, reviews selected RIAs for significance and representativeness before approval but cannot return an impact assessment for revision if it is deemed inadequate, which limits its effectiveness. Furthermore, oversight of better regulation tools is weakened by the absence of an external body responsible for reviewing the quality of *ex post* evaluation. There are no publicly available assessments of the effectiveness of RIAs in amending regulatory proposals, nor are there indicators on the percentage of *ex post* evaluations that comply with guidelines (Table A7.1.).

**Recent reforms indicate a commitment to strengthening *ex post* evaluation**: principles of conduct were established in 2023([221]). However, *ex post* evaluation remains non-mandatory. Moreover, there are currently no indicators to track the percentage of *ex post* evaluations that comply with guidelines, and the effectiveness of such evaluations in improving regulatory stock has not yet been systematically assessed (Table A7.1). The government's Impact Assessment Competence Network, which was set up to support implementation of the new principles, is currently on its second term (2023-2027). It aims to strengthen inter-ministerial cooperation and

([219])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([220])Guidelines for Impact Assessment in Law Drafting.

([221])Valtioneuvoston yhteiset periaatteet lainsäädännön seurannasta ja jälkiarvioinnista.

Table A7.1: **Finland. Selected indicators on better regulation practices for primary legislation**

| | |
|---|---|
| **Tools for smart legislation:** | |
| Share of possible impacts assessed for all primary laws when developing legislation | High / yes / for all primary laws |
| Regulators are required to identify and quantify the benefits of a new primary law | High / yes / for all primary laws |
| Regulators are required to identify and assess the impacts of alternative non-regulatory options | High / yes / for all primary laws |
| **Tools for effective implementation:** when developing laws, regulators are required to: | |
| Assess the level of compliance | Very low / no / never |
| Identify and assess potential enforcement mechanisms | High / yes / for all primary laws |
| Specify the methodology of measuring progress in achieving the law's goals | High / yes / for all primary laws |
| **Oversight of better regulation:** | |
| There is an external body responsible for reviewing the quality of RIAs and of ex post evacuations | Medium / in part / for major primary laws |
| There are publicly available assessments of the effectiveness of RIA in modifying regulatory proposals | Very low / no / never |
| There are reports on the level of compliance by government department with the requirements of RIA | High / yes / for all primary laws |
| There are indicators on the percentage of ex post evaluations that comply with guidelines | Very low / no / never |
| The effectiveness of ex post evaluations in improving the regulatory stock has been assessed in the last five years | High / yes / for all primary laws |

High / yes / for all primary laws · Medium / in part / for major primary laws · Low / for some primary laws · Very low / no / never

***Source:*** OECD, 2025, Regulatory Policy Outlook 2025 [https://doi.org/10.1787/56b60e39-en] and Better Regulation across the European Union 2025

support both impact assessment in legislative drafting and *ex post* evaluation of legislation([222]).

**Finland performs well in stakeholder engagement for legislation** ([223]). The legislative drafting consultation guidelines, finalised in 2025, offer practical guidance across all stages of lawmaking. These guidelines underscore Lausuntopalvelu.fi as the primary platform for organising consultations and recommend that it is used more consistently across government. Lausuntopalvelu.fi complements the government's Registry for Projects and Initiatives, which publicly provides information on ministries' development projects and legislative preparation. However, stakeholders have highlighted ensuring a minimum length for the consultation period as an area for improvement ([224]). Fully implementing the new guidelines has the potential to further strengthen stakeholder engagement ([225]).

**Finland is taking steps toward simplifying regulation**. In 2024–2025, Finland monitored the impact of primary and secondary legislation on businesses (particularly SMEs) and people through initiatives such as administrative burden reduction, norm simplification, and the 'one in, one out' principle. A dedicated programme on the simplification of municipal regulations was also launched (kuntien normien keventäminen). Legislative changes are estimated to reduce companies' administrative costs by around EUR 120 million per year and remove at least 133 burdensome norms, demonstrating attention to competitiveness, specific social groups and regional impacts. ([226])

## Public service delivery and digitalisation

**Finland maintains high satisfaction with public services, with 66% of people satisfied or very satisfied with public administration – among the EU's top performers.** Business satisfaction stands at 48%, also above the EU average of 42% ([227]).

**However, processing times are the main challenge for both groups in interaction with public administration** (Table A7.2 and Graph A7.2)**.** Some 39% of people identify waiting for

([222])Valtioneuvoston vaikutusarvioinnin osaamisverkosto 2023-2027 - Ministry of Justice.

([223])OECD, 2025, Better Regulation Practices across the European Union 2025, https://doi.org/10.1787/6f007516-en.

([224])European Commission, 2025, Rule of Law Report Finland Country Chapter p. 14-15.

([225])Lainvalmistelun kuulemisopas - Valtioneuvosto.

([226])Hallituksen toimet sääntelyn keventämiseksi tuovat merkittäviä säästöjä yrityksille ja sujuvoittavat arkea - Työ- ja elinkeinoministeriö.

([227])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

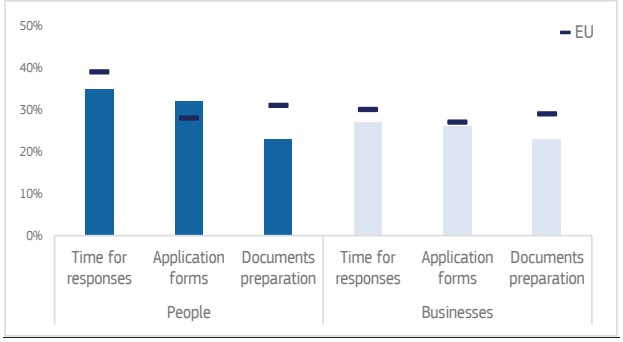
Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

| | Finland | | | EU-27 |
|---|---|---|---|---|
| | 2023 | 2024 | 2025 | 2025 |
| **Digital public services for citizens** (0 to 100) | 92 | 91 | 96 | 82 |
| **Digital public services for businesses** (0 to 100) | 100 | 100 | 99 | 86 |
| **Access to electronic health records** (0 to 100) | 90 | 83 | 85 | 83 |

(1) Digital Decade target by 2030: 100. (2) Publishing year, data were collected in the previous year
***Source:*** European Commission, 2025, State of the Digital Decade report.

responses as the most time-consuming aspect of interactions (Graph A7.2), while 42% associate public administration with slow service provision (down 5% from 2023, a slight improvement). Similarly, 27% of businesses cite processing times as the most time-consuming part of interacting with public administration. Despite this, 60% of businesses report experiencing no negative impact on their business as a result of public administration services, placing Finland among the EU's best performers (average: 45%). ([228])

Graph A7.2: **Most time-consuming aspects of service delivery**




***Source:*** European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

**People also indicated that interaction with public administration was relatively efficient overall, with 40% reporting they needed no more contact than initially expected (EU: 29%).** However, certain interoperability gaps might persist, since 59% claim they are repeatedly asked for the same personal data, and 57% would appreciate being proactively offered prefilled forms. ([229])

**Finland continues to be a frontrunner in the digital transformation of public administration across the EU.** Finland's current availability of digital public services for people (Finland: 96; EU: 82) and businesses (Finland: 99; EU: 86) place it high above the EU average. Online access to electronic health records remains above the EU average (Table A7.1.) The proportion of people using their electronic identification (eID) is also high (Finland: 96; EU; 52) ([230]).

**Finland is currently reviewing its digitalisation strategy, the Digital Compass, which was published in 2022.** The review is being conducted through interministerial cooperation. The updated strategy is expected to be published in June 2026.

**While most people in Finland use digital public administration services (97%)** ([231])**, Finland introduced Suomi-piste service points in 2025 to improve accessibility for people who cannot or do not wish to use digital services**. Suomi-piste brings together services from state authorities, the Social Insurance Institute (Kela)municipalities and wellbeing regions under one roof, offering in-person and remote assistance, with a nationwide network being gradually expanded towards full coverage by 2030 ([232]). Suomi-piste service points might improve interactions with public authorities given that 38% of people would prefer a single point of contact and 38% would like the digital services provided by the administration to be more user-friendly ([233]). In addition, people would appreciate receiving

([228])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([229])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([230])European Commission, 2025, Digital Decade 2025: Country reports.

([231])European Commission, 2025, DESI indicators.

([232])Suomi-pisteet kokoavat viranomaisten palveluja saman katon alle | Suomi-piste.

([233])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

help quickly through interactive chat (68%), as well as improved mobile access (61%) ([234]).

**Finland is renewing its institutional permitting structures**. In January 2026, a new permits and supervisory agency, Lupa- ja valvontavirasto, was established, centralising functions previously managed by six regional state administrative agencies, 15 ELY centres (Centre for Economic Development, Transport and the Environment) and Valvira (National Supervisory Authority for Welfare and Health) into a single authority with approximately 2 000 staff ([235]), and replacing 21 regional authorities with a single-window approach ( see also Annex 5). Finland has also introduced temporary priority processing for green transition permit applications in regional state administrative agencies (2023–2026) and administrative courts (2023–2028), in line with the goal of a carbon-neutral Finland by 2035 ([236]). The new Building Act further mandates BIM-based digital permits with statutory processing deadlines, and by 2029, the Ryhti national information system ([237]) will standardise built environment data nationwide.

**In spite of the recent reforms, issues remain in permitting environment remain, including fragmented digital tools and overly detailed environmental impact assessments** ([238]). A recent Technical Support Instrument project provided recommendations to improve legislative and environmental procedures and IT systems for permits ([239]). Although the recent changes address many of the structural shortcomings and speed up major investments in renewable energy and decarbonisation (see 2025 country report for Finland, p. 8, No 27 ([240])), their full impact on permit efficiency and investment conditions will require monitoring as implementation matures.

**Finland has enabled the cross-border exchange of data and documents between authorities through the EU once-only technical system**([241])**.** When services([242]) become accessible, people and businesses will no longer have to search for their data, download and upload documents manually across e-government portals in different Member States. Finland still needs to identify the types of documents they needs to exchange through the system and explore ways to shift from the submitting unstructured document formats to structured ones. Finland has one procedure ([243]) covering the education domain/studying abroad life event and authority registries in the population, education and business domain connected. From the beginning of 2026, a citizen certificate linked to a Finnish ID card will allow people to make cross-border transactions using electronic services, in compliance with the eIDAS Regulation ([244]).

## Civil service

**Finland's civil service continues to have a high level of education and commitment to professional development, though financial pressures may challenge workforce capacity in the coming years.** Educational capacity remains exceptionally strong, with 71% of civil servants having a post-secondary education (EU average 55%) ([245]). 39% of public administration employees participate in education and training, which is among the highest rates in the EU (EU

([234])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([235])Lupa- ja valvontavirasto tukee kasvua ja varmistaa oikeusturvaa koko Suomessa - Valtiovarainministeriö.

([236])Ohjeistus etusijamenettelystä.

([237])Ryhti - Rakennetun ympäristön tietojärjestelmä.

([238])European Commission, 2025, Accelerating permitting for renewable energy and green investments - Reforms and Investments.

([239])European Commission, 2025, Accelerating permitting for renewable energy and green investments - Reforms and Investments.

([240])European Commission, 2025, https://economy-finance.ec.europa.eu/publications/2025-european-semester-country-reports_en

([241])European Commission, *Once-Only Technical System Acceleratormeter*, Ec.europa.eu.

([242])Procedure types under Annex II of the SDGR (2018/1724/EU) and directives 2005/36/EC, 2006/123/EC, 2014/24/EU and 2014/25/EU.

([243])European Commission, 2025, *Once-Only Services going-live! Applying for a tertiary education study financing in Finland*, Ec.europa.eu.

([244])Identification in official services in the EU area using a citizen certificate to be enabled in 2026 - Finnish Government.

([245])European Commission, Eurostat, 2026, European Union Labour Force Survey, Employees by educational attainment level and NACE Rev. 2 activity (2008-2026).

average 19%) ([246]). To further support professional development, a peer mentoring programme for state administration managers and experts was launched in 2025, facilitating knowledge exchange and cross-organisational cooperation as part of the personnel strategy implementation ([247]).

**The age profile of Finland's civil service remains balanced although slightly higher than the EU average,** with a ratio of 1.64 younger (25-49) to older (50-64) civil servants. This figure indicates a relatively balanced age structure despite the long-term trend of an ageing workforce in Finland ([248]). The proportion of women in senior management has remained above the EU average (Finland: 52; EU: 48), although this is slightly down in 2024 (Finland: 54) ([249]).

**Recent initiatives demonstrate a sustained commitment to integrity in Finland's public administration.** In 2025, the Public Service Leadership Group published a proposal for values and principles for public service leadership, emphasising democracy, public interest, rule of law, justice, equality, transparency, trust, human-centredness, independence and impartiality ([250]). In addition, a 2024 survey on civil service ethics found that most staff perceive administrative values as clearly reflected in daily work. Leadership example was identified as the most influential factor in implementing civil service ethics, followed by whistleblower protection. Key challenges included excessive workload and insufficient resources ([251]). Findings suggest that while Finland's public service values are well internalised, their realisation in practice relies on leadership example amid growing resource constraints.

([246])European Commission, Eurostat, 2026, European Union Labour Force Survey, Participation rate of employees in education and training (last 4 weeks) by NACE Rev. 2 activity (2008-2026).

([247])Valtion vertaismentorointiverkosto - Valtiolla.fi.

([248])European Commission, Eurostat, 2026, European Union Labour Force Survey, Employed persons by economic activity (NACE Rev. 2) (2008-2026).

([249])European Institute for Gender Equality, 2025, Gender Statistics Database.

([250])For democracy and national prosperity. Values and principles for public service leadership.

([251])Virkamiesetiikan tila 2024: Valtionhallinnon virkamiehet ovat sitoutuneita eettisiin periaatteisiin.

**In April 2025, the government adopted a fiscal plan for 2026-2029 including EUR 130 million in annual public administration savings starting in 2026.** Productivity improvements will leverage digitalisation, AI, streamlined processes and enhanced procurement ([252]). Union negotiations in 2025 reflected the tight fiscal situation and may contribute to instability in public administration as savings measures are implemented.

## Integrity

**Far fewer firms perceive corruption as widespread (Finland: 28%; EU: 63%) and only 18% see it as a problem when doing business (EU: 35%)**([253]). Nevertheless, 59% cite that overly close links between business and politics lead to corruption (EU: 76%), suggesting perceived vulnerability even amid lower overall corruption perceptions. Sectors particularly vulnerable to corruption in Finland are public procurement and land use planning ([254]) (see also Annex 5). Only 2% of companies report being asked or expected to offer gifts or extra payments for permits, services, or procurement (EU: 10%), while 62% believe bribery of senior officials is appropriately punished–nearly double the EU average of 33% ([255]), pointing to both low corruption exposure and strong deterrence.

**Finland has updated its strategic framework for preventing and tackling corruption. Limited steps were taken to update the integrity framework for Ministers and top executive functions**, with Ministers not covered by the code of conduct. The lobbying framework updated by the Transparency Register Act, establishing an electronic transparency register for lobbying activities targeted at Parliament and ministries, is reported to function well. A

([252])Valtiovarainministeriö selvittää valtionhallinnon toimintojen keskittämistä osana toimintamenosäästöjä.

([253])European Commission, 2025, Flash Eurobarometer survey 557 on businesses' attitudes towards corruption in the EU and selected enlargement countries.

([254])European Commission, 2025, Rule of Law Report., p. 10.

([255])European Commission, 2025, Flash Eurobarometer survey 557 on businesses' attitudes towards corruption in the EU and selected enlargement countries.

governmental legislative proposal on limiting 'revolving doors' for Ministers was submitted to Parliament in September 2024([256]). As for the detection of corruption, 45% of Finnish businesses find protection of whistleblowers to be effective (EU: 29%). Awareness-raising activities, including training courses, have helped bring attention to the Whistleblower Act. People can report misconduct through different channels to authorities or electronically to the police ([257]).

**Prosecution of corruption continues to be efficient.** The cooperation between the police, the National Bureau of Investigation, the Financial Intelligence Unit and prosecution is smooth, with adequate resources allowing them to perform efficiently their tasks. Cooperation with the European Public Prosecutor's Office is also reported to be efficient ([258]).

## Justice

**The justice system performs efficiently overall.** The time taken to reach a decision in civil and commercial cases at first instance courts rose from 349 in 2023 to 464 days in 2024. The estimated time to resolve administrative cases at first instance courts increased from 263 days in 2023 to 268 days in 2024. The quality of the justice system is good overall. While Finland has made progress in digitising its justice system there is room for further improvement. Finland significantly lags behind in digital solutions to initiate and follow proceedings in civil/commercial and administrative cases. The country also lags behind in the general public's online access to published judgments, as well as regarding arrangements for producing machine-readable judicial decisions. Further improvements could be made by allowing all steps in judicial proceedings to be carried out online, such as paying court fees and tracking ongoing cases. This would improve access for both people and businesses ([259]).

([256])European Commission, 2025, Rule of Law Report, p. 9.

([257])European Commission, 2025, Rule of Law Report, p. 10.

([258])European Commission, 2025, Rule of Law Report, p. 7.

([259])For a more detailed analysis of the performance of the justice system in Finland, see the upcoming 2026 EU Justice Scoreboard and the 2025 Rule of Law Report.

**Finland is making progress in reducing greenhouse gas (GHG) emissions from industry but faces challenges in the decarbonisation of road transport and the shift to a circular economy.** In 2025, Finland received a country-specific recommendation on boosting public and private investment in the decarbonisation of industry and transport as well as in the development of green technologies including circular economy practices. Finland continues to make meaningful reductions in industrial emissions, particularly in industrial processes and combined energy use in manufacturing. Bioenergy remains central to industry decarbonisation, especially in the pulp and paper sector. Road transport has seen an increase in emissions in recent years and remains the largest contributor to effort sharing emissions, highlighting the need to step up decarbonisation.

## Industry decarbonisation

### Greenhouse gas emissions from industry

**GHG emissions from manufacturing industries continue to fall in Finland**, with a 24% decline between 2019 and 2024 ([260])([261]). This is more than the EU overall, 16%. In 2023, the share of energy-related emissions in Finland's industrial GHG emissions was at 52%, somewhat below the value for the EU overall, 58%, with a bigger role for process-related emissions. With 166 g $CO_2$eq per euro of gross value added, Finland's energy-related greenhouse gas emissions intensity of manufacturing production was similar to that of the EU overall.

**Finland's pulp and paper industry has made substantial progress in reducing its GHG footprint.** According to EU inventory data for IPCC category 1.A.2.d (Pulp, Paper and Print), Finland's emissions in this category fell by approximately 60% between 1990 and 2023. This decrease reflects the sector's shift from fossil fuels to biomass and other low-carbon energy sources and its investment in energy efficiency. It is in line with broader decarbonisation trends seen across the EU's pulp and paper industry.

## Reduction of effort sharing emissions

### Compliance with effort sharing limits with domestic measures

**For 2030, Finland's effort sharing emissions are projected to be above its target, but it could cover the gap with unused emission allocations from previous years ([262]).** In 2024, GHG emissions from Finland's effort sharing sectors are expected to have been 26.2% below those of 2005. By 2030, current and planned policies and measures are expected to lead to a decrease of 45.2%, leaving a gap of 4.8 percentage points to the 2030 target of −50%. Finland could bridge this gap with unused annual emission allocations from previous years. Nevertheless, swift and steady implementation of

([260]) This Annex discusses the transition of Finland's manufacturing industry, specifically its energy-intensive industries, to low-carbon and net-zero modes of production, which is key to preserving competitiveness on the path towards climate neutrality as mandated by the European Climate Law. A broader perspective on the current competitiveness challenges facing Finland's manufacturing industry is provided in Annex 5. For a more detailed description of greenhouse gas emissions from industry, see European Commission (2025), 2025 Country Report - Finland, Commission staff working document, SWD (2025) 205 final, Brussels, 4.6.2025, Annex A7. Clean industry and climate mitigation.

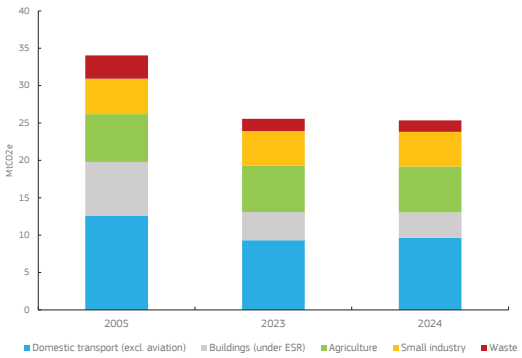
([261]) In the following, data on the manufacturing sector exclude the NACE division C19 – manufacture of coke and refined petroleum products, for better match of the sectoral data from Eurostat (gross value added) with those from the UNFCCC under the Common Reporting Format; also see the annotation to table A8.1 at the end of this Annex.

([262]) The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling), road transport, agriculture, waste and small industry (known as the effort sharing sectors). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Finland's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (2025), Climate Action Progress Report 2025 – Technical Information, Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

additional measures will remain crucial to progress towards climate neutrality.

### Sustainable transport

Graph A8.1: **Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024**




***Source:*** European Environment Agency.

**Road transport accounts for a major share of effort sharing emissions in Finland.** In 2024, 38% of Finland's effort sharing emissions came from road transport, even though road transport emissions have decreased by 23% from 2005 levels ([263]). For Finland, the 2025 country-specific recommendations highlighted challenges concerning its reliance on fossil fuels. Notably, they underlined the need to boost public and private investment in the decarbonisation of transport, including through electrification. Finland has taken steps in recent years to curb transport emissions. These include support for vehicle electrification, biofuel blending obligations and investment in charging infrastructure and rail. However, current policy efforts may not yet be sufficient to achieve national climate objectives. Continued fossil fuel dependence, slow fleet renewal – particularly for heavy-duty and commercial vehicles – and limited modal shift risk slowing the pace of emission reductions. This is evident from the rise in transport emissions over the last few years (+3.8% from 2023-2024, compared to a decline of -1.7% from 2005-2024), a worrying trend that calls into question whether it will be possible to achieve Finland's goal of halving GHG emissions from domestic transport by 2030 (compared with 2005 levels) and achieving a zero-emissions transport sector by 2045.

**The main driver of the persistently high emissions from road transport is its dominant share in land transport.** In 2023, the modal split of freight transport by land showed a preference for road over rail, with road accounting for 77.4% of all tonne-kilometres (above the EU average of 75%). Moreover, instead of a modal shift taking place from road to rail, the share of rail freight in inland freight transport decreased by 6.5 pps between 2018 and 2022. This development is not dissimilar to the overall EU trend, but it is more pronounced. In passenger transport, road is even more dominant. The modal share of passenger cars, buses and coaches together stood at 92.2% of all passenger-kilometres (above the EU average of 90.2%). Despite an increase in rail passenger volume to 5.2 billion passenger-kilometres in 2023, the modal share of rail stood at only 7%, which is below the EU average of 8.4%. Only 57.9% of the Finnish railway lines were reported as electrified in 2023 ([264]). The European rail traffic management system, which improves the efficiency and safety of rail operations, was deployed on 0 km of the TEN-T network. For more information, see Annex 19.

**Reliance on private cars results in one of the highest rates of motorisation in the EU,** with 666 passenger cars per 1 000 inhabitants in 2024. The market penetration of electric cars is growing – 29.5% of new registrations in 2024 were zero emission vehicles ([265]) – but is increasing at a slower rate than in 2023. Fully electric vehicles still account for only 10.3% of the overall fleet ([266]). For light goods vehicles, the share of zero emission vehicle registrations among new registrations stood at 12.7%, which is above the EU average of 6.1% in 2024. In terms of charging infrastructure, Finland has significantly exceeded the fleet-based target set in the Alternative Fuel Infrastructure Regulation ([267]). However, significant

([263])See Graph A8.1, and Table A8.1 at the end of this Annex.

([264])Eighth monitoring report on the development of the rail market, 2025, available at: https://transport.ec.europa.eu/transport-modes/rail/market/rail-market-monitoring-rmms_en.

([265])EU Transport in Figures – Statistical pocketbook 2025, available at: https://op.europa.eu/en/publication-detail/-/publication/52c07e98-a3f4-11f0-97c8-01aa75ed71a1.

([266])Sähköinen liikenne ry, Sähköisen liikenteen tilannekatsaus Q4/2025, 24 January 2025, https://teknologiateollisuus.fi/emobility/wp-content/uploads/sites/9/2025/01/2024-Q4-SahkoinenLiikenne-tilannekatsaus-2025-01-24-jaettava.pdf.

([267])Alternative Fuels Observatory, https://alternative-fuels-observatory.ec.europa.eu/transport-mode/road/european-union-eu27/target-tracker.

investment in charging infrastructure for heavy-duty vehicles (EUR 140 million in total) is still needed to achieve the targets set in that Regulation by 2030.

## Sustainable industry

### Circular economy industry

**Finland's 2021 strategic programme to promote a circular economy** sets out a vision for the country's economic success to be founded on a carbon-neutral circular economy society by 2035. However, the results are sluggish. The vision is guided by the objectives of decreasing consumption of non-renewable natural resources and increasing the sustainable use of renewable natural resources so that the total consumption of primary raw materials in Finland in 2035 does not exceed that in 2015. Finland aims to double its resource productivity by 2035 as compared with 2015 and to double its circular material use rate by 2035 ([268]).

**Finland is on track to meet the 2025 recycling target for all packaging waste and the 2035 landfill target.** However, with a municipal waste recycling rate of 47.9% in 2024, Finland is at risk of missing the target for recycling 55% of municipal waste by 2025. The 63% of construction and demolition waste being recovered ([269]) is below the EU average of 89%. The recycling of plastic packaging (29.3% in 2023) is well below the EU average (42%) ([270]). The number of patents related to recycling and secondary raw materials in Finland is average, with 15 in 2020 ([271]). Following a 9% decrease in the number of people now employed in the sector ([272]), the circular economy accounted for only 1.5% of total employment in 2023, compared with 1.8% in 2014. This is below the EU average of 2%. Furthermore, although per capita material consumption has increased by 1.5% ([273]) over the past five years and resource productivity increased by 16% between 2019 and 2024 ([274]), waste generation is still high ([275]). Secondary materials use halved from 4% to 2% ([276]).

**Finland has made considerable progress in diverting waste from landfilling** (less than 1% of waste treatment), but this has resulted in a significant increase in the incineration rate (52% in 2024), while there has been a smaller increase in the recycling rates. Economic instruments could help direct recyclables away from waste incineration and towards the higher levels of the waste hierarchy. In line with the waste hierarchy, Finland could benefit from introducing new policies to promote waste prevention and make product reuse and waste recycling more economically attractive.

**Finland's fiscal tools for circular practices are on track, but taxes on pollution and resources represent less than 1% of the total.** In 2023, total environmental taxes represented 2.3 % of its GDP (EU average: 2.0 %)

([268]) 2025 Environmental Implementation Review Country Report – FINLAND – Environment.

([269]) Techno-economic and environmental assessment of construction and demolition waste management, Joint Research Centre, 2024, https://build-up.ec.europa.eu/system/files/2024-04/JRC2024-Techno-economic_and_environmental_assessment_of_CDW_management_in_the_EU_Final_with_identifiers_2.pdf.

([270]) Eurostat, Plastic packaging recycling rate, https://ec.europa.eu/eurostat/databrowser/view/env_waspac__custom_14718907/default/table?lang=en.

([271]) Eurostat, Patents related to recycling and secondary raw materials. https://ec.europa.eu/eurostat/databrowser/view/cei_cie020/default/table?lang=en&category=cei.cei_cie.

([272]) Eurostat, Persons employed in circular economy sectors, https://ec.europa.eu/eurostat/databrowser/view/cei_cie011/default/table?lang=en.

([273]) Eurostat, Material footprint, https://ec.europa.eu/eurostat/databrowser/view/cei_pc020/default/table?lang=en.

([274]) Municipal waste generation per capita (Eurostat, Generation of municipal waste per capita, https://ec.europa.eu/eurostat/databrowser/view/cei_pc031/default/table?lang=en) and construction and demolition waste (Joint Research Centre, A report on sustainable management of construction and demolition waste, 2024, https://build-up.ec.europa.eu/en/resources-and-tools/publications/report-sustainable-management-construction-and-demolition-waste).

([275]) The share of municipal waste incineration remains stable at EUR 6.2 billion annually, reflecting a reliance on consumption-driven materials (Eurostat, Municipal waste by waste management operations, https://ec.europa.eu/eurostat/databrowser/view/env_wasmun/default/table?lang=en).

([276]) Eurostat, circular material use rate, https://ec.europa.eu/eurostat/databrowser/view/env_ac_cur/default/table?lang=en&category=env.env_mrp.

([277]). While revenues have increased in absolute terms over the past 15 years, their relative weight in the economy has fallen slightly. Total environmental tax revenue reached EUR 5.73 billion in 2023, representing a 28% increase in real terms since 2009. Over the same period, however, the environmental tax-to-GDP ratio fell from 2.5% to 2.3%. In 2023, energy and transport taxes dominated the revenue structure (around 75% and 24% respectively), while pollution and resource taxes together accounted for less than 1%.

To meet its environmental objectives concerning the circular economy and waste, Finland needs to increase circular economy investments by an estimated EUR 397 million per year, with an additional EUR 56 million concerning waste management action ([278]).

**Bioeconomy industry**

**While Finland's bioeconomy value added, employment and labour productivity have fallen, R&D investment from bioeconomy-relevant subsectors has grown.** Finland's overall bioeconomy value added has been declining over the 2018-2023 period, even as domestic GDP has grown. Employment trends reflect a similar pattern, with overall bioeconomy employment edging downwards. Only the wood products and furniture subsector recorded marginally positive job growth, at 0.1% on average ([279])([280]). Against this backdrop, bio-based textiles and food and beverages stand out as relative bright spots, registering modest but positive value-added growth of 1.4% and 1.7%, respectively. Labour productivity, measured as value added per person employed, stood at 93.8% of the national average – a notable drop from 100.5% in 2018 ([281]). R&D business expenditure from bioeconomy-relevant subsectors has grown broadly in line with overall national R&D investment (5.2% compared with an average of 5.1% between 2018 and 2023), suggesting that innovation efforts are being maintained but have not yet translated into a decisive productivity or growth premium ([282]). Structurally, bio-based chemicals and plastics constitute a primary innovation frontier, with a strong focus on lignin-based materials and wood-derived biopolymers as substitutes for fossil plastics. At the same time, the textiles sector is pioneering high-performance cellulose fibres from wood pulp. The food and beverage sector, meanwhile, is increasingly transforming oat and berry side streams into functional ingredients, further diversifying Finland's bio-based value chains. These developments are framed within the Finnish bioeconomy strategy, which sets an ambitious target of doubling the sector's value by 2035 and positioning Finland as a global leader in sustainable, forest-based bioeconomy innovation ([283]).

**Zero-pollution industry**

**Air quality in Finland is generally good, with some exceptions.** Emissions of several air pollutants have decreased significantly in Finland since 2005, while GDP growth has continued. In According to the inventories submitted under Article 10(2) of the National Emission Reduction Commitments Directive (NECD) in 2024, Finland met its emission reduction commitments for 2020-2029 for nitrogen oxides (NOx, non-methane volatile organic compounds (NMVOC), sulphur dioxide ($SO_2$), ammonia ($NH_3$) and PM2.5. According to the latest projections submitted under Article 10(2) of the NECD, Finland is projected to meet its emission reduction

([277]) European Commission: Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the European Semester and integration of environmental priorities into the EU's economic governance framework, 2025.

([278]) Environmental Implementation Review – Environment – European Commission.

([279]) Bioeconomy subsectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

([280]) Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, https://datam.jrc.ec.europa.eu/datam/mashup/BIOECONOMICS/.

([281]) Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, https://datam.jrc.ec.europa.eu/datam/mashup/BIOECONOMICS/.

([282]) Joint Research Centre, Business expenditure in Research and Development (R&D) in the EU bioeconomy, https://datam.jrc.ec.europa.eu/datam/mashup/BERD_BIOECONOMY/.

([283]) Ministry of Agriculture and Forestry of Finland (2022). Finnish Bioeconomy Strategy — Sustainable Growth from Bioeconomy. Available at: The Finnish Bioeconomy Strategy - Bioeconomy.fi.

commitments for 2030 onwards for NOx, NMVOC, $SO_2$, $NH_3$ and PM2.5. Finland submitted its updated national air pollution control programme to the Commission on 1 June 2023. The European Environment Agency estimates 12 years of life lost per 100 000 inhabitants as a result of air pollution due to PM2.5 concentrations that exceed the World Health Organization air quality guideline levels ([284]).

Since pollution and resource taxes account for only 0.8% of environmental taxes, the polluter pays principle could be applied on a larger scale. e.g. for NOx and arsenic ([285]).

**Water pollution from industry remains a challenge.** Regarding water quality, decisive measures are needed to address diffuse pollution from agriculture, mainly in the form of phosphates, mercury and polybrominated diphenyl ethers. Moreover, in Finland, the periodic reviews of controls on water uses do not meet the requirements of the Water Framework Directive. As reported in 2025 ([286]), 100% of Finland's surface water bodies is failing to achieve good chemical status due to diffuse pollution from agriculture and forestry, which has remained high. Water pollution by industry imposes direct and indirect costs of EUR 88 million annually ([287]), not yet sufficiently borne by the polluters.

**The total economic cost of industrial pollution in Finland was EUR 5.9 billion in 2021.** This encompasses healthcare expenses, lost productivity, and environmental degradation ([288]). Yet, investment still falls short. To meet national and EU targets for **pollution prevention and control**, Finland would need to spend **an additional EUR 871 millions every year** (about **0.33% of GDP**), largely focused on improving air quality – particularly in industrial regions and urban transport corridors ([289]).

([284]) EEA, 'Harm to human health from air pollution in Europe: burden of disease status', 2025, https://www.eea.europa.eu/en/analysis/publications/harm-to-human-health-from-air-pollution-burden-of-disease-status-2025.

([285]) Greening the European Semester - Publications Office of the EU.

([286]) ENV - Library.

([287]) European Commission: Directorate-General for Environment, IEEP, Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay (p. 48, Table 5), 2021. https://environment.ec.europa.eu/publications/green-taxation-and-other-economic-instruments-internalising-environmental-costs-make-polluter-pay_en.

([288]) EEA, 'The costs to health and the environment from industrial air pollution in Europe – 2024 update, 2024, Link. The costs reported are calculated in terms of value of a statistical life (VSL).

([289]) European Commission: Directorate-General for Environment, EMRC, Logika Group and RPA Europe, *Update of the costs of not implementing EU environmental law*, 2025, https://op.europa.eu/en/publication-detail/-/publication/4dead000-263d-11f0-8a44-01aa75ed71a1/language-en?mc_cid=d30edf72a9&mc_eid=3bdab86db2.

Table A8.1: **Key clean industry and climate mitigation indicators: Finland**

| Climate mitigation | Finland | | | | | | | Trend | EU | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Industry decarbonisation** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | | **2018** | **2023** |
| GHG emissions intensity of manufacturing production, g/€ (1) | 323 | 304 | 252 | 268 | 258 | 236 | 217 | ↘ | 330 | - |
| Share of energy-related emissions in industrial GHG emissions (2) | 54,5 | 55,2 | 55,5 | 54,6 | 54,1 | 51,7 | - | ↘ | 55,5 | 57,9 |
| Energy-related GHG emissions intensity of manufacturing and construction, g/€ (3) | 227,8 | 222,3 | 185,7 | 189,7 | 185,5 | 165,6 | - | ↘ | 203,9 | 163,0 |
| Share of electricity and renewables in final energy consumption in manufacturing, % (4) | 68,1 | 68,7 | 68,5 | 68,5 | 66,9 | 68,8 | 68,8 | ↗ | 42,8 | 43,9 |
| Energy intensity of manufacturing, GWh/€ (4) | 3,59 | 3,43 | 3,28 | 3,47 | 3,34 | 3,31 | 3,26 | ↘ | 1,27 | 1,05 |
| Share of energy-intensive industries in manufacturing production, % in GVA (5) | 26,86 | 25,90 | 23,29 | 23,82 | 28,29 | 24,07 | 20,38 | ↘ | - | - |
| GHG emissions intensity of production in sector [..], g/€ (6) | | | | | | | | | | |
| - paper and paper products (NACE C17) | 1.047 | 1.015 | 931 | 824 | 1.095 | 823 | 750 | ↘ | 722 | 619 |
| - chemicals and chemical products (NACE C20) | 648 | 476 | 497 | 647 | 787 | 599 | 540 | ↗ | - | - |
| - other non-metallic mineral products (NACE C23) | 1.166 | 1.148 | 1.167 | 1.185 | 1.126 | 935 | 902 | ↘ | 2.495 | 2.352 |
| - basic metals (NACE C24) | 2.786 | 2.418 | 2.325 | 6.680 | 5.855 | 4.516 | 4.402 | ↗ | 2.842 | 3.099 |
| **Reduction of effort sharing emissions** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | | **2018** | **2023** |
| GHG emission reductions relative to base year, % | | | | -20,3 | -22,9 | -25,6 | -26,2 | | | |
| - domestic road transport | -8,9 | -12,1 | -17,5 | -21,1 | -22,9 | -25,9 | -23,2 | ↘ | -1,4 | -5,6 |
| - buildings | -34,2 | -33,5 | -37,8 | -40,3 | -42,1 | -47,6 | -53,2 | ↘ | -20,3 | -33,5 |
| | **2005** | | | **2021** | **2022** | **2023** | **2024** | **Target** | **WEM** | **WAM** |
| Effort sharing: GHG emissions, Mt; target, gap, % | 34,4 | | | 27,4 | 26,6 | 25,6 | 25,4 | -50,0% | -45,2% | -45,2% |
| **Sustainable road transport** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2018** | **2021** |
| New zero-emission vehicles, electricity motor, % (7) | 0,64 | 1,66 | 4,40 | 10,31 | 17,79 | 33,75 | 29,52 | ↗ | 1,03 | 8,96 |
| Number of publicly accessible AC/DC charging points (8) | - | - | 3642 | 4597 | 5525 | 11247 | 16726 | 19806 ↗ | 446956 | n/a |
| Share of electrified railways, % of total (9) | 56,19 | 56,24 | 56,59 | 56,76 | 57,92 | 57,89 | 61,45 | ↗ | 55,47 | 56,49 |

| Sustainable industry | Finland | | | | | | | Trend | EU-27 | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Circular economy transition** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | | **2018** | **latest data** |
| Material footprint, tonnes per person | 43,8 | 39,8 | 44,5 | 43,4 | 45,4 | 38,3 | 37,0 | ↘ | 14,8 | 13,7 |
| Circular material use rate, % | 4,7 | 5,1 | 4,8 | 5,5 | 5,8 | 2,6 | 2,0 | ↘ | 11,6 | 12,2 |
| Resource productivity, €/kg | 1,0 | 1,1 | 1,0 | 1,1 | 1,1 | 1,2 | 1,3 | ↗ | 2,1 | 3,0 |
| Employees in circular economy | 1,1 | 1,7 | 1,7 | 1,7 | 1,6 | 1,5 | - | | 2,1 | 2,0 |
| Patents in circular economy | 23,73 | 17,9 | 33,4 | 32,4 | | | | | 12,3 | 12,0 |
| Recycling rate | 42,3 | 43,5 | 42,1 | 39,0 | 43,7 | 44,8 | 47,9 | | 46,40 | 48,1 |
| Plastic recyling | - | - | - | - | - | - | - | | 41% | 42% |
| Construction and demolition waste (CDW) recovery | 74 | - | 63 | | | | | | 88 | 89 |
| **Bioeconomy industry** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **CAGR 2018-2023** | **2018** | **2023** |
| Value added, million EUR | 14.131 | 13.864 | 13.358 | 14.913 | 16.170 | 13.695 | - | -0,5% | 642.438 | 863.436 |
| Employment, total number of people employed | 183.965 | 184.567 | 180.682 | 174.907 | 175.163 | 169.135 | - | -1,4% | 17.649.040 | 17.085.642 |
| Productivity | | | | | | | | | | |
| Valued added per worker, thousand EUR | 76,8 | 75,1 | 73,9 | 85,3 | 92,3 | 81,0 | - | 0,9% | 36,4 | 50,5 |
| Valued added per worker, % of national average | 100,5 | 96,7 | 93,6 | 104,9 | 109,5 | 93,8 | - | - | 62,2 | 70,7 |
| R&D business expenditure | | | | | | | | | | |
| Total bioeconomy (biomass producing and converting sectors) | 278 | 302 | 314 | 348 | 344 | 377 | | 5,2% | 15.672 | 23.335 |
| Total R&D business expenditure | 4.227 | 4.408 | 4.644 | 5.153 | 5.397 | 5.703 | - | 5,1% | 196.587 | 259.525 |
| **Zero pollution industry** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | | **2018** | **2021** |
| Damage cost for industrial pollution | 7,1 | 6,8 | 5,7 | 5,9 | - | - | - | | 414,9 | 352,7 |
| Water industrial pollutants releases | Cd, Hg, Ni, Pb | | nitrogen | | TOC | | Phosporus | | | |
| | 2021 | change (2010) | 2021 | change (2010) | 2021 | change (2010) | 2021 | change (2010) | | |
| | 6.060 | -44% | 6.499.400 | -20% | 6.008.200 | -44% | 58.580 | -70% | | |
| Water chemical status | | Good | 0 | Good (%) | 0 | | Poor | - | Poor (%) | - |

***Source:*** **Industry decarbonisation:** All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19), and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. **Reduction of effort sharing emissions:** Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. **Sustainable road transport:** (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). **Sustainable industry**: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

**During 2025 Finland acquired a leadership position in clean energy, with an increase of investments in the green transition and a clear strategy of electrification of the energy system and industry, with a focus also on hydrogen.** The government measure introducing reforms in the electricity market, permitting for wind and solar power through the Land Use Act, allowed Finland to make progress in implementing the 2025 country-specific recommendation to reduce reliance on fossil fuels by boosting public and private investment in the decarbonisation of industry and transport, including through electrification, as well as in the development of green technologies.

**The decarbonisation of the Finnish system is progressing at good pace, but there are still some challenges.** The share of energy-related emissions in total emissions has steadily declined over the past 20 years, but in 2024 it still accounted for 69% of Finland's total emissions.

**In 2024, emissions from the energy industry (8.6 Mt $CO_2$-eq.) fell below domestic transport emissions (9.8 Mt $CO_2$-eq.) for the first time.** Combustion-related emissions from industry and construction were 4.8 Mt $CO_2$-eq. As much as 95% of domestic electricity production is based on emission-free energy sources. District heating emissions are also declining rapidly as combustion-based production is increasingly being replaced by other technologies and energy sources. The share of emission-free production in district heating is already over 70%.

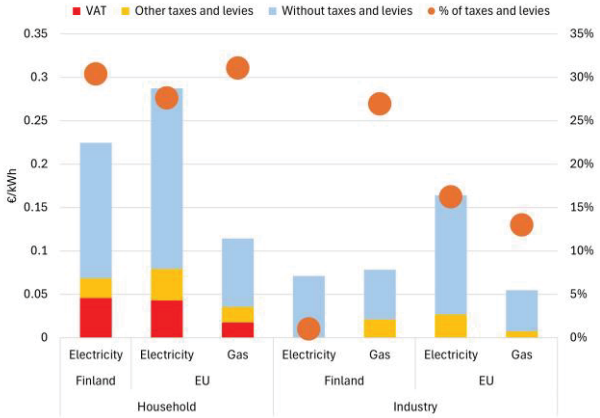
**Finland has significant potential to build affordable zero-emission electricity production, also through the ongoing initiatives to support nuclear power construction and hydrogen market legislation under preparation.**

## Energy prices and costs

**In Finland, household and non-household electricity prices have continued to decline since 2024, remaining below the EU average.** However, industrial gas prices have stayed above the EU average.

**In the first half of 2025, household electricity prices in Finland remained below the EU average, at EUR 0.2246/kWh.** Although industrial gas prices have decreased in recent years, they have remained above the EU average and above pre-crisis levels. Electricity prices for non-household consumers have followed a similar trend but have stayed significantly below the EU average. For large businesses, electricity prices were nearly as high as average gas prices in the first half of 2025. Taxes and levies account, on average, for 1% of electricity bills but represent nearly 27% of gas bills. Excluding taxes and levies, the electricity-to-gas price ratio would have increased from 0.9 to 1.2, signalling a balancing effect of Finland's fiscal measures, particularly concerning gas bill and the influence of carbon tax on fossil fuels used for heating.

Graph A9.1: **Electricity and gas prices for household and non-household consumers, first half of 2025**




(i) For household consumers, the consumption band is DC for electricity and D2 for gas.
(ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the '% of taxes and levies', which is shown excluding VAT and recoverable charges for non-household consumers.
(iii) 'Without taxes and levies' indicates the retail price excluding all taxes and levies. It always includes the energy/supply and network cost components, which are not disaggregated in Eurostat's six-monthly price dataset.
***Source:*** Eurostat

**Because it had a large share of clean energy (96.1%) in its electricity mix (natural gas accounts for a small share of Finland's total energy consumption, representing approximately 2.6% to 4.4% of total supply as of 2023-2024), Finland had the EU's**

**lowest wholesale electricity prices, averaging EUR 41/MWh in 2025 (45) (EU average of EUR 85/MWh).** Average day-ahead electricity prices in Finland decreased by 12% in 2025 amid rising natural gas costs (46). The effect of the latter on electricity prices was mitigated by Finland's growing penetration of renewables. Finland remains, however, vulnerable to price spikes during peak-demand hours. This is because falling solar output in the evening and early morning, combined with limited non-fossil flexibility, leads to costly ramp-ups of thermal plants to cover supply–demand gaps. Price spreads (47) in Finland averaged EUR 81/MWh in 2025, matching the 2024 figure.

Graph A9.2: **Low-carbon electricity generation vs electricity wholesale prices, 2025**

Data not available for Cyprus or Malta. The wholesale price is given as the average of day-ahead electricity prices over 2025. The EU-27 average is calculated as consumption-weighted. The EU low-carbon share is calculated from total EU electricity generation. The low-carbon share by country is calculated from total public electricity generation. 'Low-carbon' includes renewables and nuclear.
***Source:*** European Commission calculation based on ENTSO-E, S&P Global Platts

## Flexibility and electricity grids

**Finland is part of the Nordic and Baltic capacity calculation regions (CCRs). Cross-border trade capacities in these regions are consistently high.** Member States are to ensure that at least 70% of technical cross-border capacity is available for trading. The borders in the Nordic region are highly interdependent and, to support system operation, flow-based market coupling was successfully implemented in October 2024, thereby increasing the volume of capacities available for trade. On the border of the eastern region, the grid capacity constraints limit the large-scale deployment of wind and bioenergy projects in certain areas. The lack of a robust national main grid in some parts of the eastern regions further hampers energy security and industrial development.

**In the western regions, the new Aurora Line interconnector, completed in 2025 and formally inaugurated on 29 January 2026, connects Messaure in Sweden to Pyhänselkä in Finland with a 400 kV transmission line.**

**It increases cross-border electricity capacity significantly, by up to 1 900 MW, in both directions.** It increases security of supply in Finland and further integrates the country into the Nordic electricity system. It also enables Finland to make better use of balancing power and reserves in both Finland and Sweden. Several projects are planned or under construction to ensure that the energy market functions efficiently through strengthened interconnections, including electricity interconnections between Finland and Sweden and the subsea cable with Estonia (EstLink 3). Drawing on its renewable energy potential, Finland is also planning a series of cross-border hydrogen transport infrastructure projects as well as projects for electrolyser facilities with a cross-border impact. The Finnish recovery and resilience plan provides support for the production and storage of clean hydrogen. The plan also includes major investments in the production and distribution of renewable energy. The objective of these investments is to enhance the framework conditions for attracting investment in clean energy. The three investment measures will be completed by the second quarter of 2026, corresponding to a combined increase in new renewable energy capacity, storage capacity and/or grid connection capacity of at least 288 MW.

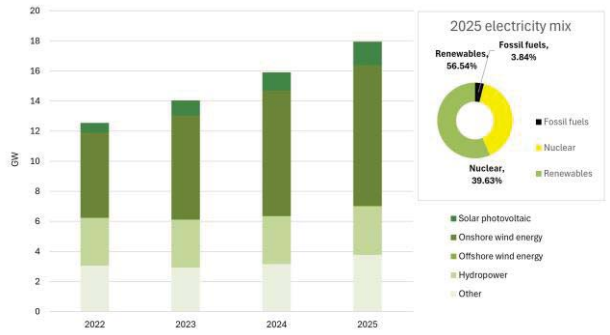
**Finland is taking steps to further develop non-fossil flexibility. Although there is limited flexibility on the generation side, there is nonetheless widespread deployment of smart meters among end users.** Finland's current operational electricity storage capacity is around 250 MW (mostly batteries). Its final updated national energy and climate plan (NECP) notes that there are several electricity storage projects under development (batteries and pumped hydro), but there are no specific targets

for electricity storage capacity. Demand response is well developed in Finland, with around 1 GW participating in the day-ahead market. This capacity is expected to increase and to expand into other markets (the intraday and balancing markets). Finland's regulatory framework allows demand response and electricity storage to participate in electricity markets (day-ahead, intraday and balancing). However, independent aggregators cannot participate in these markets.

## Renewables and long-term contracts

**In 2025, Finland's renewable energy share hit 56.5% (up from 55.9% in 2024), surpassing the EU average (47%), with 1.39 GW of new wind and solar capacity added in 2025.** This constitutes a rise of almost 8,5% compared to 2024 but falls short of the total expected additional installed wind capacity in 2025, which was 1 500 MW (onshore) according to the document 'Wind Pledges – European Wind Power Action' (19 December 2023). One noteworthy development is that installed capacity of industrial-scale solar power more than doubled in 2025, reaching 352 MW. Finland's total renewable energy capacity in electricity was 17 943 MW in 2025, representing 69% of total installed capacity. Finland has pursued reforms to accelerate the deployment of renewables, including reinforcing the authorities dealing with environmental permits and fine-tuning these processes.

Graph A9.3: **Finland's installed renewable capacity vs electricity generation mix**




Electricity mix is given as net electricity generation (gross electricity production minus consumption of power stations' auxiliary services). Electricity produced in pumped hydro plants is excluded from total net electricity production, as it was previously counted as electricity produced from another source.
"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
***Source:*** IRENA, Eurostat

**In terms of public acceptance of renewable energy sources (RESs), public hearings are organised regularly and early on in the process.** An important challenge that Finland is currently facing is limited grid connection capacities until network upgrades are concluded, exacerbated by potential geographical misalignments between supply and demand centres. Finland has continued making progress in reforming the permitting process. Finland adopted the Act amending the Act on permit-granting procedures and certain other administrative procedures for renewable energy plants in August 2025, which aims to further streamline these procedures in line with the revised Renewable Energy Directive. Its completeness vis-à-vis the revised RED obligations will be assessed during the corresponding infringement procedure.

**In accordance with its national climate and energy plan, Finland has been pursuing RES deployment mainly on a merchant basis, without any State aid schemes, primarily due to observed and forecast cost-competitive deployment of onshore wind.**

**The sole exception is offshore wind, where Finland has introduced a tendering process, with results originally expected in 2026.**

**The Finnish approach has helped create one of the strongest power purchase agreement (PPA) markets in Europe.** It is one of the few

Member States projected to have a negative PPA market gap in both 2030 and 2035, meaning that forecast PPA demand outweighs the projected supply. However, there was a substantial drop in the number of PPAs and their capacity contracted from 2023, when there were 10 deals for 742 GWh and four deals for 127 GWh.

**In 2023 Finland curtailed 20.178 GW of RES generation.**

**In 2024, electricity accounted for 29.1% of Finland's final energy consumption, above the EU average of 23.4%, and this share has increased slightly in the past decade ([290])** When it comes to households, electricity accounts for 35.3% of final energy consumption, while in industry it represents 30.7% (see also Annex 8). For the transport sector, this share remains negligible, at 3.3%. Further progress in electrification across sectors is required in order to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers.

## Energy efficiency

**In October 2025 the state and sectors signed new energy efficiency agreements for 2026–2035.** When the agreements were signed, 169 organisations committed themselves to efficient energy use. The objective is to have 60 per cent of Finland's total energy use under the voluntary agreements.

**The fourth energy efficiency agreement period begins in 2026, covering various sectors of business, the housing industry and the public sector.** Among those who immediately joined the agreements are 111 companies from various sectors of business, 35 facility and rental housing communities and 23 public-sector organisations.

**Through these agreements, Finland is implementing the EU's Fit for 55 package (designed to cut the bloc's emissions by 55% by 2030) and the Energy Efficiency Directive, which requires Member States to reduce their final energy consumption and achieve ambitious savings by the end of 2030.** Finland FEC in 2024 is nearly line with the trajectory to its expected contribution in 2030.

**Between 2019 and 2024, residential FEC decreased by 8.9%, mostly as a result of technical savings (renovations) and structural changes. This variation in residential FEC is more than in line with the objectives set in Finland's 2020 long-term renovation strategy, which forecast a 22% reduction in energy consumption between 2020 and 2030**.Finland submitted its draft national building renovation plan (NBRP), indicating a clear commitment to setting up a predictable pathway towards an energy-efficient and decarbonised building stock, currently responsible for 34% of total final energy consumption, and therefore acknowledging the importance of the sector in increasing the country's energy security.

**Heating and cooling account for 82% of the country's residential final energy consumption, with renewables supplying 61% of the total energy used for heating and cooling in all sectors**. The deployment of heat pumps is very advanced, as their sales in 2024 represented 94% of total combined heat pump and boiler sales. In spring 2024, the government decided to phase out fossil heating oil, complementing an action plan to eliminate emissions from the separate heating of buildings by 2030 that is part of Finland's recovery and resilience plan (RRP). Support for the phaseout of oil and gas heating has been available since 2020 for owners of small houses and municipalities and congregations (sources: NBRP, NECP).

## Security of supply and diversification

**In 2025 the Finnish government actively reformed the energy sector to increase preparedness and security.** Key reforms include the **New Electricity Market Act,** which entered into force in autumn 2025, with the aim of increasing market flexibility, clarifying pricing models and improving utilisation of the electricity grid. The Act will allow distribution network

([290]) CAGR (compound annual growth rate) of −0.06% between 2015 and 2024 and minimum/maximum share of 28.2% and 29.3% respectively (source: Eurostat).

companies to build and own local networks of above 110 kV. It will also introduce more flexible connection line arrangements for networks of at least 110 kV.

**Finland's energy security is based on decentralised, diversified and efficient energy production.** The National Emergency Supply Agency is responsible for maintaining and developing the country's security of supply preparedness and securing access to critical resources.

**These reforms are part of Finland's broader strategy to modernise its energy system and ensure a secure and sustainable energy supply for the public and its economy.**

**Preparedness Act reform: on 9 October 2025, the government submitted a proposal to parliament for an Act on the measures necessary to ensure security of supply and on the National Emergency Supply Agency.** The aim of the reform is to modernise the Security of Supply Act in order to meet the requirements of the amended Constitution and the current operating and security environment. Under the proposal, the Security of Supply Act, enacted in 1992, would be repealed. The Act on security stockpiling (*Turvavarastolaki*), adopted in 1982, would also be amended.

**Finland has implemented the EU's Critical Entities Resilience (CER) Directive, through the national Act on the protection of infrastructure critical to society and on the improvement of resilience, which entered into force on 1 July 2025.** This legislation aims to increase national security and bolster the resilience of critical entities across 11 sectors. Energy resilience in the face of the difficult geopolitical context has recently improved. The state is increasing its share in the ownership of Fingrid, the national electricity transmission system operator responsible for the transmission grid and the operational security of the electricity system. As a result of the transaction, the state's ownership control in a strategically significant company will be strengthened. Upon completion of the transaction, the state's shareholding in the company will increase from 53.1% to 59.5% and its voting rights from 70.9% to 81.5%.

**Finland has already made progress in diversifying its energy sources by relying heavily on renewable energy and nuclear power and continuing to reduce its use of fossil fuels.** It aims to achieve a carbon-neutral economy by 2035.

**Nuclear energy plays a role in Finland's energy sector and is a central part of the government's plan to achieve carbon neutrality by 2035.** The Finnish government has been drafting a total overhaul of the Nuclear Energy Act, with a draft sent out for public comment in June 2025. The new law, expected to enter into force on 1 January 2027, aims to streamline licensing processes and better accommodate new technologies such as small modular reactors (SMRs). In 2025, Finland's newest reactor unit, Olkiluoto 3, operated throughout the year without any unplanned outages. Traditionally dependent on Russian fuel, the Loviisa nuclear power plant (NPP) (VVER-440 reactor units) has been operating since 2024 with its first batch of alternative Westinghouse fuel. It is important for Finland to develop a national plan to fully phase out its dependency on Russian nuclear fuel, as set out in the REPowerEU road map adopted on 6 May 2025. In 2026, Finland is a global front runner in the deployment of SMRs, specifically for district heating in order to achieve its carbon neutrality goals. Unlike traditional large reactors focused on electricity generation, the Finnish SMR strategy prioritises replacing fossil fuel-based heating in urban areas.

**Finland is pioneering innovative SMR dual-uses, such as district heating, beyond traditional electricity production.** However, ensuring commercial viability requires targeted support for market creation and deployment projects. Furthermore, existing regulatory frameworks must be adapted to accommodate these novel use cases.

**On 12 May 2025, Finland signed the EU Baltic Sea memorandum of understanding to renew the Baltic energy market interconnection plan (BEMIP) adopted in 2015 in line with the current priorities of the EU's energy policy.** During the negotiations, Finland emphasised the importance of technology neutrality.

**The RePowerEU road map acknowledges the substantial progress that Finland has made**

**in reducing its dependence on Russia's imports during the past few years but emphasises that it must continue to make efforts to reduce the remaining dependencies, including in the nuclear sector.** Finland is at the forefront of this work and last year started loading test batches of alternative Westinghouse fuel in Unit 2 of the Loviisa NPP.

## Fossil fuel subsidies

**In 2024, environmentally harmful ([291]) fossil fuel subsidies without a planned phaseout before 2030 represented according to Commission estimates based on a EU-wide harmonised methodology 0.30% ([292]) of Finland's GDP ([293]).** Finland estimates fossil fuel subsidies with two different alternative methodologies, leading to different results. Additionally, Finland's 2023 effective carbon rate ([294]) averaged EUR 94.37 per tonne of $CO_2$ – above the EU weighted mean of EUR 84.80 ([295]).

([291]) Explicit fossil fuel subsidies (e.g. direct transfers) and implicit fossil fuel subsidies (i.e. tax expenditures linked to forgone tax revenues that have an identifiable fiscal impact for the central budget) that support fossil fuel energy production, transmission and/or consumption.

([292]) European Commission calculation based on underlying data from the *Study on energy subsidies and other government interventions in the EU – 2025 edition,* Enerdata.

([293]) 2024 gross domestic product at market prices, Eurostat.

([294]) The effective carbon rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

([295])OECD (2024), Pricing Greenhouse Gas Emissions 2024.

**Climate adaptation efforts are advancing, but exposure to intensifying climate hazards continues to shape Finland's risk and investment profile. Finland's LULUCF sector has shifted from a carbon sink to a net source, with a widening gap to its 2030 targets driven by high harvesting, reduced forest growth and emissions from drained peatlands, exposing gaps in current policies to restore net removals.** The country is experiencing accelerating climate risks linked to rapid warming, including more frequent heatwaves, floods and extreme precipitation**,** with northern regions warming significantly faster than the EU average. While economic losses from climate-related events have been comparatively low in EU terms, projected impacts on infrastructure, ecosystems, health and climate-sensitive livelihoods are increasing. Estimated adaptation investment needs are above the EU average, placing Finland among the top five EU Member States. Finland has an established climate adaptation governance framework and municipal engagement above the EU average, yet implementation challenges persist, notably uneven local capacity, developing monitoring systems, low insurance coverage and the need to scale up nature-based solutions. Finland's economy is structurally exposed to nature loss given its high dependency on ecosystem services. Habitat degradation is increasingly widespread, mainly due to agriculture intensification and resulting eutrophication that continue to increase. Peatland degradation in Finland contributes to unhealthy soils, including agricultural land. The country also struggles with diffuse pollution from agriculture affecting the chemical status of surface waterbodies, and unsustainable forestry practices jeopardising the conservation status of habitats and species.

## Climate adaptation and preparedness

**Finland faces increasing climate risks linked to significant warming and more frequent extreme weather, with economic losses projected to rise.** Its high latitude, boreal forests and cold-climate conditions shape a distinct risk profile. While historically less exposed to extreme heat than southern Member States, Finland is experiencing rising heatwaves, floods, and heavy precipitation, with impacts on infrastructure, health, and ecosystems. Flooding, including coastal flooding, and drought are among the most significant hazards identified nationally ([296]). Temperatures are well above historical norms, with record numbers of hot days in summer 2024 and prolonged heatwaves in 2025, even in northern parts ([297]). Earlier snowmelt and reduced snow cover are affecting winter ecosystems, water availability and traditional livelihoods such as reindeer herding. Warming increases heat stress, pressures on health services, wildfire risk, as well as agricultural and ecosystem impacts- (e.g. higher water temperatures can stress aquaculture species ([298]). Milder winters in Finland are expected to shift more precipitation to rain, altering river flows and increasing flood risks – especially in southern and central regions – while making floods more variable and challenging to manage, with potential damage to transport and energy infrastructure.([299]) Climate-related events (floods, storms) already cause economic losses, particularly in forestry and agriculture, and these are projected to increase with more severe weather.

**Finland's drought impact on ecosystems is comparatively low in relation to many other Member States ([300]).** In 2023, Finland's share of land area where vegetation productivity was impacted by drought during the growing season was just over 2% compared to 3.5% in the EU.

**Economic losses from climate extremes in Finland have historically been much lower compared with more exposed countries in the EU,** just ~0.3% of all EU climate-related losses from 1980-2023 ([301]). However, the trend and the associated need for adaptation is rising across the

([296]) *OECD Economic Surveys Finland 2025.* https://www.oecd.org/en/publications/oecd-economic-surveys-finland-2025_985d0555-en/full-report/stepping-up-the-transition-to-net-zero_902009f2.html

([297]) FMI: Year 2025 was Finland's second warmest year on record, https://en.ilmatieteenlaitos.fi/press-release/2mV6FGVh8kkpwJG9DfKjTL?utm_=.

([298]) Finland, EU Aquaculture, https://aquaculture.ec.europa.eu/country-information/finland.

([299]) CLIMATE-ADAPT, Finland Country Profile, Finland%20|%20Country%20Profiles%20|%20Discover%20the%20key%20services,%20thematic%20features%20and%20tools%20of%20Climate-ADAPT%20Climate-ADAPT.

([300]) Drought impact on ecosystems in Europe – Indicators – EEA, link.

([301]) EEA Climate-related economic losses/Finland, link.

EU. The EEA has identified Europe as the fastest warming continent, with escalating extreme weather frequency. Finland is not an exception in this regard, and notably the northern parts of its territory, Lapland, which forms part of the Arctic, is warming 3-4 times faster than the EU on average ([302]). This requires adaptation from nature and from the people who live off activities that are strongly linked to predictable climate conditions, such as reindeer herding and winter tourism.

**A recent study([303]) estimates that Finland will need to invest more than EUR 2 billion per year up to 2050 (0.6% of annual GDP, which is above the EU average of 0.5%), first and foremost, in ecosystems** (around 61% of the total share), followed by infrastructure (around 21% of the total) and health (around 11% of the total)([304]). Finland's per capita adaptation investment need (~ EUR 355) is more than double the EU average per person (~ EUR 155), a significantly higher adaptation burden than the average ([305]). This reflects Finland's unique geographic and climate risks (rapid Arctic warming, infrastructure exposure to freeze-thaw cycles), which may drive higher per capita adaptation costs. Its small economy and population and relatively large land area also mean that fixed adaptation costs, like upgrading infrastructure across a sparsely populated territory, weigh more per GDP unit. The required investments in climate adaptation correspond to 0.64% of Finland's annual GDP, well above the EU average, of 0.46%, ([306]) placing Finland among the top five EU MS. Research shows that proactive adaptation can reduce climate-induced economic losses far more cost-effectively than reactive responses later. A report on Finland's National Climate Change Adaptation Plan until 2030 indicates that anticipatory adaptation measures could avoid cumulative climate-related damages amounting to approximately EUR 5–8 billion over the period 2040–2070, compared with a reactive approach. ([307]).

**Finland has well-established national governance structures in place for climate adaptation**, and the country continues to make progress in integrating adaptation into sectoral policies. Similarly, monitoring mechanisms are improving and there are new key efforts in subnational action. Finland has adopted a Climate Act and a National Adaptation Plan (NAP2030) that sets out strategic priorities to boost resilience across sectors (infrastructure, health, water management, ecosystems). The NAP2030 framework is advanced institutionally, but data gaps remain on exact costs and benefits of specific adaptation measures. Tools like the SUOMI project ([308]) help produce regional risk assessments to tailor adaptation but linking this science to planning and action across governance levels needs further strengthening. As in other EU Member States, climate adaptation governance in Finland involves multiple levels, and the division of roles between national, regional, and local authorities is not always clearly defined, which can slow implementation. Monitoring and risk assessment frameworks remain uneven, limiting learning and policy adjustment. Smaller municipalities in Finland often lack resources for climate adaptation, and fewer than half have set targets or plans, while larger cities such as Espoo, Vantaa and Turku are more advanced, resulting in

([302]) Communications Earth & Environment: The Arctic has warmed nearly four times faster than the globe since 1979, link.

([303]) European Commission: Directorate-General for Climate Action, Monteleone, L., Roberti, G., Fossati, F., Davies, W. et al., *Assessment of EU and Member States adaptation investment needs – Study on the macroeconomic impacts of the climate transition*, 2026, Table 25, https://op.europa.eu/en/publication-detail/-/publication/d2039eac-f742-11f0-b9bc-01aa75ed71a1/language-en%20(Table%208). The study provides detailed estimates of adaptation investment needs at the level of the EU and individual Member States per type of measure. It relies on a common methodology that makes estimates comparable across the EU. Four accompanying methodological reports provide a detailed description of how the results were estimated to ensure full transparency.

([304]) Idem as above.

([305]) Finland's annual adaptation investment need is EUR 2 billion up to 2050. For the EU average this figure is EUR 70 billion. Given that Finland's population is 5.64 million and the EU is 450 million, this results in ~ EUR 355 of per capita investment need in Finland compared to EUR 155 in the EU.

([306]) See footnote 228, *Assessment of EU and MS adaptation investment needs*.

([307]) Government Report on Finland's National Climate Change Adaptation Plan until 2030: Wellbeing, Safety and Security in a Changing Climate, https://julkaisut.valtioneuvosto.fi/items/60d4fbe4-b360-4058-94c2-f667b7c6fcaa.

([308]) Project of the Finnish Climate Panel, coordinated by the Finnish Meteorological Institute, https://en.ilmatieteenlaitos.fi/suomi-project.

uneven adaptation progress across the country ([309]).

**The share of Finland's population covered by the EU Covenant of Mayors signatories has remained stable over the past years**, at around 41-45%, which is higher than the EU average of 34% in 2024. Furthermore, 66% of signatories have submitted a sustainable energy and climate plan (SECAP) on time and 33% have submitted at least one monitoring report within the recommended timeframe – both figures being considerably higher than the EU average ([310]).

**Climate risks have a direct effect on Finland's economy, while the insurance coverage remains low.** Between 1980 and 2024, Finland recorded EUR 603.4 million in economic losses ([311]) from weather- and climate-related extreme events, out of which only 3% - EUR 18.2 million were insured ([312]). Effective climate adaptation will require strategic investments across several domains to build infrastructure resilience, promote nature-based solutions, enhance public health systems for heatwave response, develop adaptive agriculture and rural resilience, and to ensure up-to-date data, risk assessments and further development and strengthening of climate services. There is also a need for sufficient financing and governance, not least through well-financed municipal plans.

**Climate risks have a direct and significant effect on Finland's economy, but total economic losses caused by weather and climate-related extremes in the country are relatively low** compared with other EU countries. According to estimates from the EEA, total damages in Finland were around EUR 2.17 billion for the period 1980-2021, mostly due to storms, floods, and other extreme weather events. Finland is among the countries with the lowest economic losses per square kilometre in Europe over the mentioned period ([313]).

**Finland's transport network faces moderate but tangible climate risks, and this will require targeted and sustained adaptation investment, particularly in maritime infrastructure, to ensure long-term resilience and connectivity ([314]).** Though Finland's exposure to extreme heat is comparatively limited, continued risks from heavy precipitation, flooding, freeze-thaw cycles and winter storms are prevalent which can affect road durability, rail stability and port operations([315]). Adaptation needs remain ([316]), reflecting Finland's long coastline, reliance on maritime transport and exposure to sea-level rise, storm surges and changing ice conditions. Though Finland's vulnerability is not among the highest in the EU, targeted and sustained investment – particularly in port resilience and weatherproofing of rail and road assets – will be necessary to safeguard network reliability, cross-border connectivity, and long-term climate resilience.

**Finland has strong policy recognition for nature-based solutions for climate resilience, including targets in the national adaptation plan to 2030, and several project level successes in forestry, water management and urban planning.** But the transition from policy ambition to broad implementation is still ongoing, with systematic deployment and monitoring yet to be fully realised – a pattern that

([309])Finnish Environment Institute (2025): Finnish municipalities have progressed to varying degrees in climate change adaptation, https://www.sttinfo.fi/tiedote/71556505/finnish-municipalities-have-progressed-to-varying-degrees-in-climate-change-adaptation-risks-are-not-sufficiently-assessed?lang=en.

([310])European Commission, https://eu-mayors.ec.europa.eu/en/explorer.

([311])EEA, 2024, *Economic losses from weather- and climate-related extremes in Europe,* https://www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related

([312])Idem as above.

([313])Idem as above.

([314])European Commission (2024): *Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network,* Table 4.6, https://op.europa.eu/en/publication-detail/-/publication/26731a63-b904-11ef-91ed-01aa75ed71a1/language-en.

([315])2025 Environmental Implementation Review Country Report – Finland, https://environment.ec.europa.eu/publications/2025-environmental-implementation-review-country-report-finland_en.

([316])European Commission (2024): *Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network,* Table 4.28, https://op.europa.eu/en/publication-detail/-/publication/26731a63-b904-11ef-91ed-01aa75ed71a1/language-en.

closely mirrors the situation in many EU Member States.

Finland could benefit from boosting efforts on nature-based solutions to improve river continuity and ecological flows and to ensure that forestry practices fully take into consideration the need to protect and restore the conservation status of forest habitats and species.

**Finland received EUR 8.5 million EU funding for climate-resilient forestry and biodiversity projects (2022-2025), including participation in Horizon Europe NBS projects like Trees4Adapt (EUR 4 million).** These show that EU and national resources are increasingly directed towards NBS, though many are still project-based rather than widespread infrastructure or policy instruments.

## Water resilience

**Finland has the fourth highest number of emissions of heavy metals to water and is in first position for emissions intensity. Decisive measures are needed to address diffuse pollution from agriculture, mainly in the form of phosphates, mercury and polybrominated diphenyl ethers. Moreover, in Finland, periodic reviews of controls over water uses need to be compliant.**

The national water exploitation index plus (WEI+) ([317]) in Finland, a measure of how much water is being used compared with the total renewable freshwater resources available for a given territory and period, indicates very low overall pressure at 0.5% in 2023.

**Water productivity in Finland ([318]) stood at EUR 100 per m³ of abstracted water in 2022, well below the EU-27 average of EUR 153 per m³, reflecting efficiency in abstraction-heavy sectors like energy and manufacturing.**

In 2023, manufacturing accounted for 53% of freshwater abstraction, public water supply 20%, and energy production 23%([319]).

**75% of surface waterbodies in Finland are in good or better ecological status. However, all of them (100%) are failing to achieve good chemical status, compared with about 50 % in the second river basin management plan (RBMP)([320]).** Lack of progress is mainly due to diffuse pollution from agriculture and forestry that has remained high. Furthermore, Finland also faces challenges in addressing hydro-morphological alterations. Overall, the treatment of urban wastewater in Finland is compliant (97%).

**Looking ahead, the annual cost for installing and renewing urban wastewater collecting systems and treatment plants between 2024 and 2032 is expected to reach and average of EUR 360 million.** Altogether, this represents a significant investment of EUR 78 per inhabitant each year ([321]). Water investments in Finland are estimated to be around EUR 245 million per year. Of this, EUR 194 million supports wastewater management, EUR 4 million drinking water and around EUR 43 million water management and protection. A further EUR 198 million per year is needed to close the investment gap ([322]).

## Nature restoration

**Finland's economy is structurally exposed to nature loss because it is among the EU Member States with the highest dependency on ecosystem services ([323]).** Half of gross value

([317]) Eurostat, Water Exploitation Index, plus. https://ec.europa.eu/eurostat/databrowser/view/sdg_06_60/default/table?lang=en.

([318]) Water productivity is a metric that is calculated by dividing GDP (in chain-linked volume) by total water abstraction. It indicates the average economic value (GDP) a Member State creates for each unit of water it takes from nature.

([319]) EEA, Water abstraction by economic sector, 2000-2023, 2025. https://www.eea.europa.eu/en/analysis/indicators/water-abstraction-by-source-and/water-abstraction-by-economic-sector.

([320]) eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=SWD:2019:46:FIN

([321]) Internal documents, implementation of Directive 91/271/EEC (UWWTD), 2022.

([322]) 2025 Environmental Implementation Review Country Report – FINLAND - Environment.

([323]) Hirschbuehl et al. (JRC), *The EU economy`s dependency on nature*, VASILAKOPOULOS, P. editor(s), European

added (GVA) relies directly on the ecosystem (50%) – above the EU average of 44%. This vulnerability is particularly acute in the agriculture, forestry, construction and water utilities sectors, which depend directly on healthy terrestrial ecosystems ([324]).

**Despite Finland's exceptionally rich biodiversity – reflected in 13.4% ([325]) of its territory designated as protected areas – habitat degradation is increasingly widespread**. Agricultural intensification and resulting eutrophication continue to increase. Moreover, poor water quality affects fish health, survival, and reproductive success, threatening fisheries ([326]). Forestry is the most reported pressure on Natura 2000 sites. Finland needs to speed up the necessary conservation measures, as they are yet to be defined for some sites, including the Åland Islands. To curb the situation, Finland needs to complete the Natura 2000 site designation process, ensure the effective implementation of Natura 2000 management plans and provide sufficient administrative capacity and financing both for Natura 2000 and the implementation of the Nature Restoration Regulation, while also ensuring the implementation of prioritised actions frameworks 2021-2027 (PAFs) ([327]).

**Nature degradation is further amplified by invasive alien species, with 18 recorded in Finland in 2024, inflicting estimated damages of EUR 270 million up to 2020, primarily affecting agriculture and public health ([328]).** At the same time, eutrophication–a threat to biodiversity and ecosystem integrity–has decreased from 10.4% in 2005 to 2.1 in 2022. ([329])

**The investment needs for biodiversity and ecosystems are estimated to be EUR 5.1 billion per year in Finland in 2021–2027**. This includes the following financing needs: Finland's prioritised action framework concerning the Natura 2000 areas: EUR 862.4 million per year; additional Biodiversity Strategy costs: EUR 2.8 billion; and sustainable soil strategy management costs: EUR 1.4 billion per year. ([330])

## Sustainable agriculture and land use

**Finland's LULUCF sector has shifted from a carbon sink to a net source of emissions, with removals below required levels and a projected gap to targets, indicating the need for additional policy measures to support the achievement of national and EU climate objectives.** In 2024 land use, land-use change and forestry (LULUCF) net emissions were 9.77 $MtCO_2$-eq ([331]). The latest available projections show a gap to target of almost 15 million tonnes $CO_2$-eq for 2030([332]), the second largest projected shortfall among EU Member States ([333]). This large

Commission, (2025) https://publications.jrc.ec.europa.eu/repository/handle/JRC140304?mode=full.

([324]) Hirschbuehl et al. (JRC), *The EU economy`s dependency on nature*, VASILAKOPOULOS, P. editor(s), European Commission, (2025). https://publications.jrc.ec.europa.eu/repository/handle/JRC140304?mode=full.

([325]) Eurostat, *Protected Areas Indicator*, https://ec.europa.eu/eurostat/databrowser/view/env_bio4/default/table?lang=en&category=env.env_biodiv.

([326]) See HELCOM-Thematic-assessment-of-eutrophication-2016-2021.pdf

([327]) 2025 Environmental Implementation Review Country Report – FINLAND - Environment.

([328]) Neobiota, Economic Cost of invasive alien species across Europe (2021). https://neobiota.pensoft.net/article/58196/. European Commission, 2025, *Environmental Implementation Review, Finland Country Report*. https://ec.europa.eu/transparency/documents-register/detail?ref=SWD(2025)308&lang=en.

([329]) EEA, Eutrophication caused by atmospheric nitrogen deposition in Europe 2024. https://www.eea.europa.eu/en/analysis/indicators/eutrophication-caused-by-atmospheric-nitrogen

([330]) Environmental Implementation Review - Environment - European Commission

([331]) European Environment Agency (EEA), *Net greenhouse gas emissions of the Land Use, Land Use Change and Forestry (LULUCF) sector, 1990–2024 dataset*, https://www.eea.europa.eu/en/datahub/datahubitem-view/4732d4ec-960d-4e25-aece-8a3ca52ce170?utm_.

([332]) Climate Action Progress Report – Finland Country Profile - https://climate.ec.europa.eu/document/download/fff9a456-7d80-4d5b-9ee7-1aaccc428b68_en?filename=fi_2025_factsheet_en.pdf.

([333]) National LULUCF targets of the Member States in line with Regulation (EU) 2023/839, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02018R0841-20230511.

gap reflects a combination of reduced forest growth, methodological revisions, high harvest levels, and high emissions from drained peatlands, all of which have weakened Finland's forest carbon sink.

**Independent assessments, including from the Finnish Climate Change Panel ([334]) and OECD analyses, indicate that under current policies the LULUCF sector is far off track to meet both the EU's 2026–2030 commitment period and its 2030 LULUCF target of additional carbon removals of roughly −2.9 Mt $MtCO_2$-eq ([335]).** Finland is projecting an annual harvest volume of 81-82 million cubic metres over the next 20+ years, a considerable increase compared to the 72 million cubic metres harvested on average over the past 10 years. According to the Finnish Climate Panel, these projected logging levels are not in line with the country's 2035 carbon neutrality goal and EU land use sector obligations. They estimate that the goals could be achieved with a logging level of 60-60 Mm3, though this is also dependent on how emissions are reduced in other areas of the land use sector.

**Despite recent policy announcements, Finland's current climate strategy is insufficient to deliver on its legally enshrined target of carbon neutrality by 2035.** Under existing policies and those in the medium-term climate plan and the updated energy and climate strategy adopted in late 2025, the government has prioritised measures in transport and clean energy, and some forest actions such as fertilisation, afforestation and growing denser forests. These steps are projected to increase the sink by only a few million tonnes at most. This leaves a far larger gap with what is required to meet both the EU's LULUCF obligations for 2030 and the deeper sink needed for 2035.

**Reversing this trajectory would require implementing structural changes that go beyond current policies, combining sustainable forest management that improves resilience and long-term productivity with stronger protection of high-carbon and high-biodiversity ecosystems, including peatlands and old-growth forests where relevant, and by ensuring that harvesting levels and forest use remain consistent with sink recovery, biodiversity, and water objectives.** This could be done by reforming the Forest Act and instilling climate-smart forestry with long-term financing; subsidies and incentives for sustainable forest management and carbon-sequestration practices; infrastructure for technological sinks like BECCS facilities (bioenergy with carbon capture); and just transition support for forestry.([336]) In addition to increasing LULUCF net removals, further investments in healthy forests and soils are key to building resilient bio-based product value chains and enabling a growing, competitive EU bioeconomy. Continued removal data will be crucial in supporting timely and effective action in the sector. Emissions from drained peatlands, including those under agricultural and forestry use, are a significant component of land-use emissions in Finland and contribute to the recent decline in net carbon removals in the LULUCF sector, indicating their relevance for addressing the sector's overall performance.

**Finland's bioeconomy strategy ([337]) links economic growth from renewable resources with the country's climate objectives.** It promotes the sustainable use of renewable biological resources – particularly forests – to produce food, materials and energy while increasing value added and reducing fossil fuel dependence, supporting the country's climate-neutrality goal for 2035. As forest biomass underpins both the bioeconomy and Finland's main carbon sink, the bioeconomy strategy can act as an important lever to meeting EU climate obligations (notably the LULUCF Regulation), by promoting sustainable forest management, long-lived wood products and careful land-use

([334]) Report by the Finnish Climate Change Panel (2025), Ilmastopaneelin-raportti-1-2025-Arvio-Suomen-maankäyttösektorin-tilanteesta-Tarkastelussa-EU:n-LULUCF-velvoitekaudet-2021–2025-ja-2026–2030.

([335]) National LULUCF targets of the Member States in line with Regulation (EU) 2023/839 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02018R0841-20230511.

([336]) Report by Kone Foundation: Finland's carbon neutrality target for 2035 can be achieved while strengthening economic growth, https://koneensaatio.fi/en/news/report-finlands-carbon-neutrality-target-for-2035-can-be-achieved-while-strengthening-economic-growth/.

([337]) Bioeconomy Strategy 2022-2035 – Sustainably towards higher value added – Finnish Government, https://valtioneuvosto.fi/en/-/1410877/bioeconomy-strategy-2022-2035-sustainably-towards-higher-value-added.

practices, which all help maintain or strengthen net removals.

**Finland's organic farming occupies 13.49 % of all utilised agricultural land area, among the best rates in the EU and higher than the EU average of 10.50 %.** However, peatland degradation, affecting 7 % of the national territory, is contributing to Finland's unhealthy soils, including agricultural land. ([338]) ([339]).

**Water quality pressures are intensifying.** Under the EU Nitrates Directive, 6.8% of Finland's groundwater monitoring stations recorded average nitrate concentrations exceeding 25 mg/l (and 1.6% above 50 mg/l, the EU threshold for safe drinking water) between 2016 and 2019 ([340]). The agricultural pressure due to Finland's livestock density is 0.39 livestock units per hectare in 2023 ([341]), compared to the EU average of 0.75. A 16% reduction in agricultural ammonia emissions between 2018 and 2023 ([342]) underscores improvement in emission control in Finland ([343]) to meet its reduction commitments to be achieved by 2030. However, nitrate pollution persists, indicating gaps in nutrient management strategies.

**31% of rivers in Finland contain pesticide exceeding thresholds.** According to the Commission recommendations for Finland's CAP strategic plan, the share of ammonia emissions from agriculture in the country is still relatively high at 88.17% in 2023, and Finland has been found to be at high risk of non-compliance with its commitments to reduce ammonia emissions.

Finland had a high surplus for nitrogen in 2023 and is one of the Member States facing the greatest challenges in tackling nutrient pollution from agriculture.

([338])[sdg_02_40] Area under organic farming

([339])IMPACT ASSESSMENT REPORT_ANNEXES_SWD_2023_417_part4.pdf

([340])EEA, Nitrate in groundwater in Europe, 2025. https://www.eea.europa.eu/en/analysis/indicators/nitrate-in-groundwater-8th-eap.

([341])Eurostat, Livestock density index. https://ec.europa.eu/eurostat/databrowser/view/tai09/default/table?lang=en

([342])EEA, Air pollutant emissions data viewer (Gothenburg Protocol, Air Convention) 1990-2023. https://www.eea.europa.eu/en/topics/in-depth/air-pollution/air-pollutant-emissions-data-viewer-1990-2023.

([343])EEA, Magnitude of emission reductions (percentage) required by EU Member States to meet their emission reduction commitments for 2030 onwards, based on 2023 data, 2025. https://www.eea.europa.eu/en/analysis/publications/air-pollution-in-europe-2025-reporting-status-under-the-national-emission-reduction-commitments-directive/magnitude-of-emission-reductions-percentage-required-by-eu-member-states-to-meet-their-emission-reduction-commitments-for-2030-onwards-based-on-2023-data

Table A10.1:**Key Adaptation Indicators**

| Climate adaptation and preparedness: | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | EU-27 latest data |
|---|---|---|---|---|---|---|---|
| **Drought impact on ecosystems** *[area impacted by drought as % of total]* | 6.73 | 2.87 | 11.95 | 1.34 | 2.09 | - | 2.76 |
| **Forest fires burned area** [1] *[burned area in ha. per year]* | - | - | 2,558 | 160 | 205 | 124 | 354,510 |
| **Economic losses from extreme events** *[EUR million at constant 2022 prices]* | - | 98 | 50 | - | - | - | 40,452 |
| **Insurance protection gap** [2] *[composite score between 0 and 4]* | - | - | - | 1 | 1 | 1 | - |
| **Sub-national climate adaptation action** *[% of population covered by the EU Covenant of Mayors for Climate & Energy]* | 41 | 43 | 44 | 44 | 45 | 45 | 34 |

| Water resilience: | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | EU-27 latest data |
|---|---|---|---|---|---|---|---|
| **Water Exploitation Index Plus, WEI+** [3] *[total water consumption as % of renewable freshwater resources]* | 0.79 | 0.57 | 0.60 | 0.60 | 0.50 | - | 4.53 |
| **Water productivity** *[EUR per $m^3$ ]* | - | - | - | 100 | - | - | 151 |
| **Water abstraction** | | | | | | | |
| *Water abstraction by source (% from surface water)* | - | - | - | - | - | | - |
| *Water abstraction by sector* | Agriculture | Electricity cooling | Manufactu-ring | Public water supply | Mining and Quarrying | Constru-ction | |
| | 2.24% | 23.15% | 53.59% | 20.55% | 0.47% | 0.00% | |
| **Status of water bodies** [4] *[% of water bodies in a good status]* | | | | | | | |
| Surface water bodies (ecological) | - | - | - | - | - | 75% | 38% |
| Groundwater bodies (quantitative) | - | - | - | - | - | 93% | 93% |

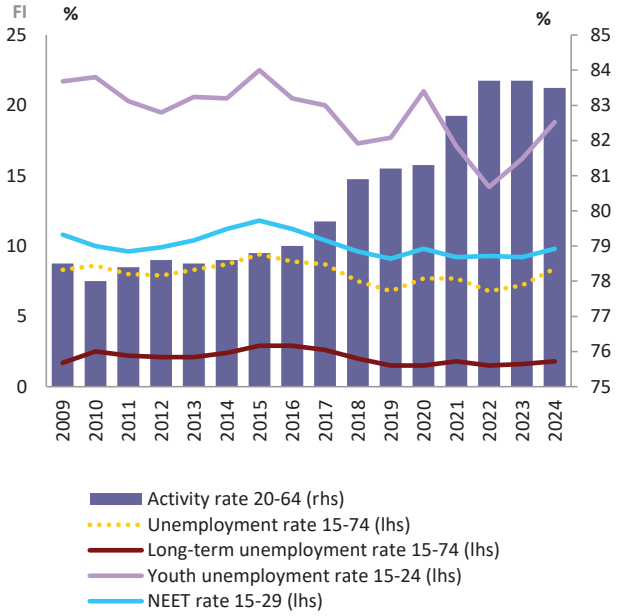
| Nature restoration: | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | EU-27 latest data |
|---|---|---|---|---|---|---|---|
| **Ecosystem dependency** *[% of direct dependency]* | - | - | - | 50% | - | - | 44% |
| **Protected area** *[% of terrestrial protected areas]* | 13.2 | 13.2 | 13.3 | 13.3 | 13.4 | | 26.4 |
| **Invasive alien species (IAS)** *[number of IAS of Union concern]* | - | - | - | - | - | 18 | 29.2 |
| **Damage cost of IAS** *[EUR billion]* | - | - | - | - | 0.27 | | 1.69 |
| **Eutrophication** *[AAE of area at risk of euthrophication]* | | | | 2 | 2 | | 295 |

| Sustainable agriculture and land use: | | | 2012-2018 | | 2018-2021 | | EU-27 latest data |
|---|---|---|---|---|---|---|---|
| **Yearly net land taken by Member State** *[ppm of total urban surface per Member State]* | | | 275 | | 379 | | 670 |
| **Land conversion in functional urban area** *[% of total land taken from 2018-2021]* | | | | | | | |
| Arable land | | | | | 18% | | |
| Complex and mixed cultivation | | | | | 0% | | |
| Forests | | | | | 71% | | |
| Herbaceous vegetation associations | | | | | 5% | | |
| Open spaces with little or no vegetation | | | | | 0% | | |
| Pastures | | | | | 6% | | |
| Permanent crops | | | | | 0% | | |
| Water | | | | | 0% | | |
| Wetlands | | | | | 0% | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | latest data |
| **Nitrates in groundwater** [5] *[mg$NO_3$/l]* | 4.8 | 4.7 | 4.9 | 4.9 | 4.9 | | |
| **Livestock density** *(number of livestock units per hectare of utilised agricultural area)* | | 0.42 | | | 0.39 | | 0.75 |
| **Ammonia emissions** *[% of total utilised agricultural area]* | 89% | 89% | 88% | 88% | 88% | - | 94% |
| **Pesticide contamination on rivers and lakes water bodies** *[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]* | | | | rivers | 31% | | 27% |
| | | | | lakes | 0% | | 18% |
| **Pesticide contamination in soil** *[% of samples with a concentration over 0.5 mg/$Kg^{-1}$]* | | | | | 78% | | 57% |
| **Net greenhouse gas removals from LULUCF** [6] *[kt$CO_2$-eq]* | 3339.9 | 1812.5 | 11358.3 | 12066.4 | 11998.4 | - | -198,421 |

(1) EFFIS (European Forest Fire Information System). https://forest-fire.emergency.copernicus.eu/apps/effis.statistics/estimates.
(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires, windstorms, and the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.
(3) Measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20 % are generally considered to be a sign of water scarcity, while values equal or greater than 40 % indicate situations of severe water scarcity.
(4) European Commission, 2024, seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).
(5) Indicator refers to concentrations of nitrate (NO3) in groundwater, measured as milligrams per litre (mg NO3/L). Nitrate can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard is limited to 50 mg NO3/L to avoid threats to human health.
(6) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2025 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.
***Source:*** Eurostat, EEA, JRC

**In Finland, high unemployment and structural weaknesses continue to constrain productivity and competitiveness.** While recent reforms, such as on social assistance, aim to strengthen employment, they may have inadvertently worsened labour market outcomes for vulnerable groups (see Annex 12). Therefore, addressing skills gaps and improving the effectiveness of the public employment services will be key to supporting a more robust and inclusive labour market and a thriving economy. The 2025 country-specific recommendations for Finland highlighted the need to improve incentives to work and to strengthen active labour market policies (ALMPs) for all.

Graph A11.1: **Key labour market indicators**




***Source:*** Eurostat, LFS [lfsi_emp_a, une_rt_a, lfsi_neet_a, une_ltu_a].

**Employment has weakened and unemployment has risen sharply, reflecting cyclical and structural factors.** The employment rate decreased from 77% in 2024 to 76.3% in 2025, remaining above the EU average of 75.8% but below the 2030 national target of 80%. The unemployment rate rose from 6.8% in 2022 to 9.7% in 2025, in contrast to the EU trend. Contributing factors include the prolonged economic downturn, high interest rates (which have a negative impact on construction and other sectors), reductions in public employment, and inflows of people who have hitherto remained outside the workforce into the labour market. According to the spring 2026 economic forecast, employment is expected to increase gradually after declining in 2025, as the economy starts to recover. However, unemployment is expected to average 10.1% in 2026 and 9.8% in 2027, remaining at elevated levels ([344]).

**Unemployment grew most among young people.** Youth unemployment (unemployment among people aged 15-24) rose from 14.2% in 2022 to 21.8% in 2025. The share of young people neither in employment nor in education and training (NEETs) increased from 9.2% in 2023 to 11% in 2025, in line with the EU average. For young persons with disabilities, the rate was 24.3% in 2024. These trends likely reflect limited job opportunities and insufficient support for the transition from education to work, contributing to the feeling of demotivation among young people. Finland receives EUR 320 000 in funding from the European Social Fund Plus (ESF+) and EUR 6.5 million from the Recovery and Resilience Facility to implement the Youth Guarantee scheme.

**Immigration and educational disparities continue to shape the labour market, with non-EU nationals and low-educated workers facing a disproportionately high risk of unemployment.** The long-term unemployment rate rose from 1.5% in 2022 to 2.4% in 2025, above the EU average of 1.9%. Non-EU nationals contributed to increasing both the available workforce and overall employment but continued to face a significantly higher risk of unemployment than the native population. Workers with at most lower secondary education accounted for the largest share of the increase in unemployment in the last three years, with their unemployment rate reaching 22.9% in 2025. While the gender employment gap in Finland is the lowest in the EU, the gender pay gap remains persistently above the EU average, rising from 16% in 2022 to 16.3% in 2025. The gap in employment between persons with and without disabilities is 20.4 pps (against 24 pps in the EU in 2024). The Finnish government addresses the problem of unemployment through

([344])European Commission, Economic forecast for Finland – May 2026

active labour market policies (ALMPs) ([345]), a reform of the public employment services ([346]), social security adjustments (see Annex 12) and targeted support for specific groups. Measures to improve the situation of women on the labour market include the action plan for gender equality 2024-2027 and a targeted equal pay programme ([347]).

**While regional disparities are comparatively low, rural areas in Northern and Eastern Finland face structural challenges.** Over the past decade, differences in employment and unemployment at NUTS-2 level have decreased and are among the lowest in the EU. Nevertheless, until 2024 regional differences in employment rates, unemployment rates and the share of young people neither in employment nor in education and training (NEETs) remained slightly above pre-COVID levels. These gaps reflect variations in labour demand and bigger regional differences in the rate of early school leavers. Problems in predominantly rural areas include shrinking labour supply, long distances from economic centres and low labour mobility. In addition, regions close to the eastern border have been particularly affected by Russia's war of aggression against Ukraine, with declining economic activity and shrinking working-age population (see Annex 18). According to national data ([348]), unemployment is above the national average in several eastern districts, including North Karelia, Kymenlaakso, South Karelia and North Ostrobothnia.

**The government is committed to supporting jobseekers, including young people and vulnerable groups, but further measures are needed.** ALMP expenditure remained above the EU average in 2024, standing at 1.9% of GDP (EU: 1.5%). However, challenges remain as regards the quality of job offers and outreach activities, and it is necessary to better align school curricula and training offers with labour market needs. Greater support for social enterprises and other social economy entities could help integrate young people and vulnerable groups more effectively into the labour market.

**EU funding provides substantial support for employment promotion and skills development.** Employment promotion and skills development account for EUR 324 million, or 60%, of current ESF+ funding. The focus is on the development of employment support services, promotion of increased regional and inter-occupational labour mobility, development of job opportunities for people with partial work ability and people with migrant backgrounds, as well as training. The social inclusion objective of the ESF+ allocates EUR 139 million to support long-term unemployed people and the most vulnerable groups in their labour market integration. The Just Transition Fund targets those who have lost or are at risk of losing their jobs in the peat sector, and it provides an additional EUR 30 million for measures improving access to employment. In addition, EUR 11 million is provided to support self-employment and start-ups, and EUR 19 million to support the adaptation of workers, enterprises and entrepreneurs to change, including through training. The Recovery and Resilience Facility (RRF) provides EUR 114 million in grants for measures aimed at improving work ability and boosting the quality of continuous learning. Looking forward, the ESF+ provides the option to support measures implemented by the public employment services.

**The 2022 Nordic model of employment services and the 2025 transfer of public employment services to municipalities increased the incentives for jobseekers and employment service providers but created challenges for vulnerable groups.** The Nordic model involves an obligation for jobseekers to actively search for jobs and for public employment services to hold in-person interviews with candidates ([349]). However, studies suggest that vulnerable jobseekers often receive insufficient individual support, mainly due to limited staff resources at employment agencies ([350]). Uneven

([345])Ministry of Economic Affairs and Employment, Government's labour market reforms , Development of jobseekers' service process and employment services; Finnish Government: Jobseekers to receive more individual support in proposed Nordic labour market service model.

([346])Ministry of Economic Affairs and Employment, Employment services will be reformed on 1 January 2025; Ministry of Economic Affairs and Employment, Implementation project of the Economic development Centres.

([347])Ministry of Social Affairs and Health, Equal pay.

([348])Employment Bulletin March 2026.

([349])Ministry of Finance, 2021, Individual services to support job search in the Nordic labour market service model.

([350])National Audit Office, 2023, Employment services for persons who are difficult to employ.

allocation of resources across different employment areas, coupled with an estimated EUR 100 million funding shortfall ([351]), makes it challenging for municipalities to manage these new responsibilities effectively. Recent evidence suggests that fewer activation measures, such as training and education, are being offered to unemployed people, which is likely to have a disproportionate effect on disadvantaged groups.

**Finland has made the use of fixed-term contracts easier and implemented several tax relief measures to stimulate the creation of jobs.** Recent measures include an indexation of tax brackets for personal income tax and increases in income credits for employment income in 2024 and 2025. New incentives to work include a reduction in taxes on labour for low-income and middle-income earners worth EUR 520 million starting in 2026 plus an additional EUR 125 million in 2027. This measure is being implemented alongside an increase in the child increment for earned income deductions and a reduction in the top marginal tax rate to around 52% (see Annex 3). Following recent legislative changes and proposals ([352]), the use and termination of fixed-term contracts has been made easier for employers ([353]), raising concerns among trade unions over reduced job security and potential discrimination, particularly against women and foreign workers ([354]).

**Wage growth remains relatively low, and the rebound in real wages has only partly offset past losses.** Wage growth reached 1.8% in 2024 and 2.6% in 2025. Nominal wages are expected to grow at 2.7% in 2026. Following declines in 2022 and 2023 due to high inflation, real wage growth reached 1.7% in 2024. It then dipped to 0.2% in 2025 and is forecast to remain at 0.2% in 2026.

([351])Finnish Association of Municipalities, 2025, Työllisyystilanteen heikkeneminen kasvattaa kuntatalouden paineita.

([352])Ministry of Economic Affairs and Employment, 2026, Government's labour market reforms.

([353])With the new legislation, employers can offer fixed-term contracts of up to one year without providing a specific reason. Under previous law, a valid justification was required.

([354])ETUC Women's Committee statement on the Finnish government's working life reforms on gender equality and on women's position in the labour market | ETUC.

**Low labour productivity growth constrains wage increases and competitiveness over the medium term.** Relatively low wage growth over the past decade has supported cost competitiveness, particularly within the euro area, and remained well below the levels suggested by standard macroeconomic drivers of wage growth ([355]). Over recent years, unit labour costs (ULC) have risen less sharply than in most Member States. Structurally, labour productivity remains a key determinant of ULC dynamics in Finland, and subdued productivity prospects are likely to limit both future competitiveness gains and wage growth over time.

**Collective bargaining coverage remains among the highest in the EU, although it has decreased over the past years, just like trade union density.** Collective bargaining coverage remains one of the highest in the EU (88.8% in 2022) ([356]), although the coverage rate decreased in recent years (it stood at 91.9 % in 2014). At the same time, trade union density fell from 78.7% in 2000 to 51.4% in 2024. Employer organisation density was 75.1% in 2022 ([357]). Collective bargaining takes place mostly at sectoral level. Sectoral collective agreements are legally enforceable and are based on national framework agreements. Certain aspects of negotiations, however, can be transferred to company-level collective bargaining, and the number of such agreements has increased. Recent legislative changes to promote local collective bargaining are not expected to lead to a significant reduction in collective bargaining coverage. The legislative amendments that entered into force on 1 January 2025 clarified certain provisions of the Collective Agreements Act. These changes ensure that only agreements in which the contracting parties genuinely represent the employer and the employees are considered collective agreements.

**While aggregate labour shortages have eased, the supply of high-skilled workers remains insufficient in specific sectors.** The share of employers expecting labour shortages to constrain their production is significantly lower than the pre-pandemic level and the EU average.

([355])Wage benchmarks are predicted by developments in inflation, productivity and the unemployment rate.

([356])OECD/AIAS ICTWSS v2.0.

([357])OECD/AIAS ICTWSS v2.0.

Nevertheless, there is a lack of skilled workforce particularly in electrical and civil engineering, as well as in software development and IT. There is also a shortage of care workers. Possible explanations of this trend include a rapidly ageing population, the higher education system's failure to meet labour market demand, low occupational and geographical mobility, language barriers for skilled immigrants, and the quickly evolving skills needs linked to the green and digital transitions. A recent study ([358]) identifies the shortage of skilled labour as the primary risk to economic growth.

**The government is making efforts to address labour and skills shortages, seeking to balance targeted foreign recruitment with stricter immigration measures.** Initiatives such as the 2023-2027 Talent Boost Programme aim to attract workers from non-EU countries by streamlining the work permit procedure and facilitating the employment of foreign workers in sectors facing labour shortages ([359]). At the same time, restrictive measures have been introduced, including an income threshold of EUR 1 600 for residence permits ([360]) and stricter unemployment period rules ([361]). Further plans have been announced to raise the financial thresholds for immigrants, postpone family reunification and introduce language tests for non-EU students ([362]). Balancing these incentives and restrictions will be key to effectively attracting international talent.

**Finland is performing relatively well in its efforts towards decarbonisation.** While the emission intensity of employment was above the EU average in 2023, the country registered one of the largest reductions in the EU. The employment share of energy-intensive industries was below the EU average in 2025 (1.9% vs 3.5%). Also, at 5.2% in 2023, Finland has one of the highest employment shares of the environmental goods and services sector in the EU.

**Overall job satisfaction is relatively high, but there are growing concerns over job security for vulnerable groups.** In 2023, Finland had one of the highest average job satisfaction scores in the EU (7.9 out of 10 vs EU: 7.4). However, involuntary temporary contracts are still relatively common, accounting for 9.8% of total employment (above the EU average of 6.4%) and 69.1% of all temporary contracts. This raises concerns about labour market segmentation, human capital investment and fairness. The recent relaxation of requirements for fixed-term contracts raised concerns among trade unions (see above). The share of involuntary part-time employment has also remained above the EU average since 2020 (5.1% vs 3.3% in 2025).

([358])OECD Economic Surveys: Finland 2025.

([359])The June 2025 legislative change allows holders of residence permits for employed persons to work in officially designated sectors with labour shortages without the need to be issued with a new permit.

([360])Ministry of Economic affairs and Employment, Income limit of EUR 1 600 for a residence permit for an employed person set.

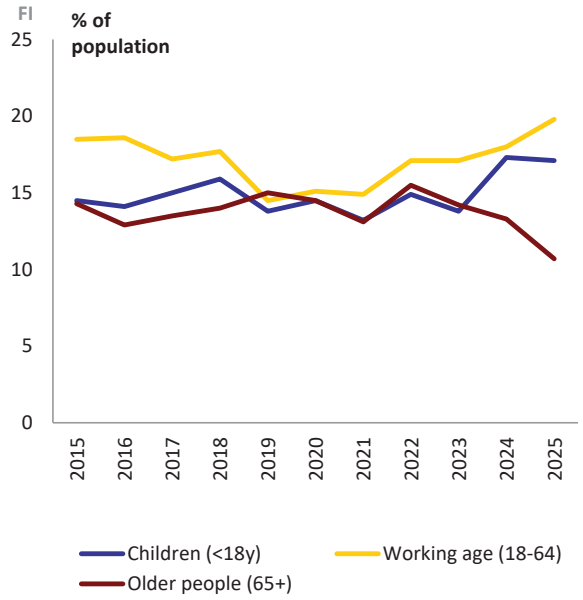
([361])Ministry of Economic Affairs and Employment, Three-month unemployment rule

([362])Hallitus linjasi keinoista puuttua ulkomaalaisten opiskelijoiden lupien ja toimeentulon haasteisiin - Valtioneuvosto.

**Finland is reforming its social protection system amid rising poverty and high levels of self-reported unmet needs for social and healthcare services.** The 2025 country-specific recommendations called on Finland to increase the efficiency of its social benefits system while addressing the needs of vulnerable groups, and to improve access to social and healthcare services. Recent policy measures aim to support the long-term sustainability of public finances and prepare for future demographic challenges. While reforms to the social safety net and social and healthcare services have improved work incentives and substantially strengthened the budgetary position of the wellbeing services counties ([363]), they could also increase poverty and exclusion risks among vulnerable groups. Socio-economic challenges in the predominantly rural eastern border regions have been exacerbated by Russia's war of aggression against Ukraine. Further efforts are needed if Finland is to reach its 2030 poverty reduction target. Addressing these challenges would contribute to Finland's inclusive growth and competitiveness.

**The risk of poverty or social exclusion is increasing, particularly among children and disadvantaged groups.** Although the at-risk-of-poverty or social exclusion (AROPE) rate remains below the EU average at 17.2% (17.1% for children), it has increased by 1.4 percentage points (pps) (3.3 pps for children) since 2023. Finland has set a national target of reducing the number of people at risk of poverty or social exclusion by 100 000 people by 2030, with one third of that reduction relating to children. However, since 2019 the number of people in this group has increased by 164 000, including 26 000 children. Since 2023, the proportion of the population living in low work intensity households has increased by 2 pps to 10.7% (EU: 7.9%), while the at-risk-of-poverty (AROP) rate for this category has increased by 6.4 pps to 69.7% (EU: 66.3%). The poverty rate is also above average among families with young children under school age. In Finland, 41% of children at risk of poverty or social exclusion are from single-parent families, compared with 23% in the EU. Among children in families where at least one parent has a disability, the AROPE rate is 33%, which is above the EU average of 24%. A comprehensive approach could help address the multiple dimensions of poverty and achieve the national anti-poverty target.

Graph A12.1: **At-risk-of-poverty or social exclusion rate by age group**




(1) AROPE: At-risk-of-poverty or social exclusion rate (% of total population).
***Source:*** Eurostat, EU-SILC [ilc_peps01n]

**Finland is facing growing social challenges as a country on the eastern border of the EU.** The Russian war of aggression against Ukraine has aggravated existing social issues across the country, while Finland continues to host people fleeing the conflict. In 2025, around 50 000 Ukrainians had temporary protection status in Finland, many of whom had transitioned into the labour market. After one year of residence, in general, Ukrainians have the right to residence-based social protection. The loss of economic opportunities following the closure of the Russian border has further intensified social challenges in the eastern border regions (see Annex 11). The proportion of the population aged 65 and over in eastern and northern Finland is above the national average, contributing to higher morbidity rates and greater demand for social and healthcare services. The proportion of young people at risk of poverty or social exclusion is also above the national average, ranging from 15.2% in North Karelia to 19.1% in Kymenlaakso. This may be partly explained by gaps in access to social services, such as youth support networks for young people facing mental health problems or social exclusion, which

([363])In 2023, Finland established 21 wellbeing services counties to provide social welfare, healthcare and rescue services in a major RRF supported reform. In addition, the City of Helsinki and autonomous Åland islands provide services in their respective territories.

are more pronounced in the eastern border regions ([364]). Finland's recovery and resilience plan allocates EUR 44 million for the development of mental health services and *Ohjaamo* one-stop shops, which provide multidisciplinary services for young people.

**The social security reform has strengthened work incentives but it may also create risks for the most vulnerable.** The headline reforms due to take effect in 2026 include introducing the general social security benefit, clarifying the nature of social assistance as a last-resort and temporary form of support, developing the public employment service process and simplifying rehabilitative work activities. These reforms are expected to strengthen incentives for labour market integration, for example by imposing greater obligations on recipients and strengthening sanctions for non-compliance. However, there are also risks for the most vulnerable. Calculations by the Joint Research Centre estimate that failure to comply with job search requirements of the reformed social assistance benefit could result in monthly income losses of between 15.8% and 28.5% ([365]). This financial penalty would add to the impact of the reforms that took effect in 2024 and 2025 (see 2025 country report), including cuts to unemployment benefits and housing allowances, which have had an adverse cumulative effect on vulnerable groups such as unemployed people, young adults, single-person households, single parents and people with mental health difficulties. Strengthening work incentives during a period of low labour demand has resulted in a considerable increase in transitions from outside the labour force to unemployment, while transitions from outside the labour force to employment are occurring less frequently ([366]) (see Annex 11). National authorities estimate that the reforms could increase the overall poverty rate by 2.2 pps and the child poverty rate by 3 pps ([367]). Various stakeholders and national authorities are aware of these risks for vulnerable groups and are monitoring the impact on beneficiaries ([368]).

**Addressing the needs of vulnerable groups is crucial to the implementation of the ongoing reform of the social security system.** Finland is taking steps to prevent social exclusion among young people: from early 2027 onwards, municipalities will be responsible for fully financing basic social assistance for people aged 18-24. The reform of rehabilitative work services aims to improve support mechanisms for jobseekers with reduced capability to work. The parliamentary Social Security Committee is expected to propose improvements to social security for young people and families with children by the end of 2026. It will be important to assess activation requirements on the basis on *ex post* evaluations in order to identify effective and ineffective policies and take corrective actions where relevant.

**The wellbeing services counties aim to strike a balance between economic efficiency and service provision.** Self-reported unmet needs for medical care present a significant challenge at 7.8% in 2025, even though decreasing from 8.5% in 2024 (EU average: 2.4%). Efforts to reduce unmet needs are hindered by budget constraints in the wellbeing services counties. Although the quality of services and equitable access have improved in comparison to the pre-reform situation, significant regional differences persist in the availability of individual services. ([369]) In 2023 and 2024, the counties recorded a cumulative deficit of EUR 2.5 billion due to unexpectedly high costs. In 2025, they made substantial cost-saving efforts, including the consolidation of the service network, the expansion of remote services and staff dismissals and lay-offs. ([370]) Combined with

([364]) OECD (2025): Transition strategies for Finland's Eastern and South-Eastern border regions.

([365]) The simulation was performed by the European Commission, Joint Research Centre, based on the EUROMOD model J2.0+, using hypothetical households (HHoT). The range of 15.8% to 28.5% refers to the 50% social assistance reduction scenario for non-compliance: the lower bound corresponds to a single parent with two children and the upper bound to a one-earner couple without children.

([366]) Bank of Finland (2025) Työntekijävirrat vievät pintaa syvemmälle: osallistuminen kasvattanut sekä työllisyyttä että työttömyyttä

([367]) Ministry of Social Affairs and Health (2025): Hallituksen sosiaaliturvamuutosten yhteisvaikutuksia arvioivat muistiot julkaistu.

([368]) Ministry of Social Affairs and Health (2025): 2024-2026 muutosten yhteisvaikutukset perus- ja ihmisoikeuksien toteutumiseen.

([369]) Finnish Government (2025) Interim evaluation of the wellbeing services county reform.

([370]) Local Government and County Employers KT (2026): Hyvinvointialueet irtisanoivat viime vuonna lähes 1300 henkilöä, kunnat 340

increased overall funding, this resulted in an estimated aggregate surplus of EUR 600 million. However, financial results vary considerably across counties, with nine still in deficit. To address these financial problems, three counties have been undergoing evaluation procedures since June 2025. Staff composition has also changed considerably, as counties have been able to open new vacancies despite ongoing dismissals, and many outsourced services have been brought in-house. Since the wellbeing services counties were established in 2023, the number of administrative staff has declined by 9.6 %, indicating substantial progress in addressing inefficiencies. ([371]) Recent amendments to the steering legislation permit an extension of one to three years beyond 2026 to achieve budget neutrality, provided that serious and active efforts are made to bring the financial situation under control, which remains challenging.

**Finland's ageing population is putting increasing pressure on the long-term care system.** While the country is generally a strong performer in this area, demand for services is expected to grow substantially as the population ages. In 2025, 23.6% of the population was over 65, and this percentage is forecast to increase by one fifth by 2050. 51.7% of people aged 65 and over experience some or severe level of activity limitation, above the EU average of 47.5%. The situation also varies across counties. Differences in service structures between counties risk weakening equality for older people ([372]). Coverage of home care services among the population aged 75 and over has declined in recent years, with coverage rates ranging from 9% to 19%. Overall, public social protection in Finland substantially reduces poverty risks linked to home care, but they remain higher than the national poverty rate for older people. The costs of long-term care would become a major financial challenge for older people without public social protection. ([373]) At the other end of the service spectrum, the coverage of 24-hour care services has remained at a constant level. The provision of alternative services, such as communal living and family care, remains low, and expanding these services could help contain rising demand for 24-hour care services. Although recent policy reforms and the challenging economic situation have temporarily alleviated labour shortages in the social and healthcare sector, these shortages remain acute. Demand for specialist workers is expected to grow due to current workers retiring and the growing demand for services as the population ages, with an estimated demand for an additional 20,000 nurses by 2030. Shortages of certain specialists, such as psychiatrists and ophthalmologists, are a nationwide problem, while individual counties lack specific types of specialists. The affordability of medicines poses an additional challenge for low-income groups. In autumn 2025, the Social Insurance Institution launched a pilot offering interest-free loans for medicine purchases. ([374])

**While the social benefits system is generally efficient, some concerns exist about the adequacy of minimum income protection.** In 2023, the net income of a minimum income recipient was only 71.8% of the smoothed poverty threshold (EU: 56.3%), and only 57.6% of the income of a low-wage earner (EU: 50%).([375]) Despite a slight decline since 2022, particularly among men, the impact of social transfers (excluding pensions) on poverty reduction remains one of the highest in the EU. In 2025, social transfers reduced poverty by 43 pps for men and 46 pps for women, compared with an EU average of 33 pps. As part of the comprehensive reform of social assistance, in February 2026, the basic amount of the benefit was reduced by 2-3%, corresponding to a reduction of EUR 14-19 per month, and the EUR 150 earned income disregard was abolished in most cases. The benefit is now calculated to cover only between 83% and 99% of the reference budget required for a life in dignity, with the greatest shortfall affecting non-working couples and households with children. ([376]) National authorities estimate that the reform will

([371])Finnish Institute for Health and Welfare (2025): Julkisen sektorin sosiaali- ja terveydenhuollon henkilöstö 2023.

([372])Ministry of Social Affairs and Health (2026) Selvitys hyvinvointialueiden sosiaali- ja terveydenhuollon järjestämisvastuun toteutumisesta 2025, p25

([373])OECD (2026): Adequacy of social protection for long-term care - Finland

([374])Kela (2025) Pienituloisille kokeilu lääkkeiden vuosiomavastuun luotottamiseen syksyllä 2025

([375])At-risk-of poverty threshold computed as a moving average of AROP thresholds for three latest years with available data. Source: DG EMPL calculations.

([376])HE 116/2025 vp, p41. The reduction in adequacy compared to the reference budgets amounts to 1-3 percentage points depending on the household type.

affect people on very low incomes and deepen poverty. ([377])

**The social sector reforms are contributing to fiscal consolidation efforts.** In 2024, Finland spent an estimated 26.5% of its GDP on social protection, which is among the highest rates in the EU. In line with the government programme, considerable fiscal savings are being sought from social security and social and healthcare services. Central government funding for social and healthcare sector NGOs has been reduced considerably since 2024, ([378]) raising concerns about the capacity of these organisations to support vulnerable groups while social needs are high. The 2040 vision prepared by the Ministry of Social Affairs and Health acknowledges that, to address the long-term challenges of population ageing and fiscal stability, social services and healthcare will need to continue to be reformed over several parliamentary terms. ([379]) One important step in launching the national debate is the proposal to identify the 'fundamental principles' of the social and healthcare services network, due to be presented to Parliament in 2026. Ensuring continued and sustainable funding for social economy organisations would also be beneficial. During the 2020-2027 programming period, the European Social Fund Plus (ESF+) is supporting social inclusion in Finland with EUR 156 million, with an additional EUR 30 million allocated to the reform of child protection services.

**Finland is taking steps to address the remaining gaps in the accessibility and adequacy of social protection.** The government is preparing a combined unemployment insurance scheme enabling the insurance of different types of income for people working simultaneously as an employee and entrepreneur, which is expected to enter into force in 2027. Discussions are ongoing on reforming the pensions for self-employed people, with a focus on small entrepreneurs. In addition, the statutory earnings-related pensions system is being reformed in accord with the social partners. This reform is expected to deliver up to EUR 2 billion in public savings (0.8% of GDP) while maintaining an adequate level of benefits. Private sector pension providers will be permitted to take on more risk in their portfolios, contributions to funded pensions will increase, and an index brake will be introduced to statutory earnings-related pensions from 2030 ([380]). Finland is also analysing potential reform needs on child benefits, focusing on the livelihood of low-income families with children, supporting the fertility rate and taking different family types into account. Compliance with the European Child Guarantee is high in most areas, but the transition of children from institutional care to quality family-based care could be improved.

**Energy poverty disproportionately affects vulnerable groups in Finland.** In 2025, only 2.6% of households were unable to keep the home adequately warm (EU: 8.8%). However, energy poverty in Finland is more closely linked to energy costs and the energy efficiency of buildings. In 2025, 16.0% of households below the AROP threshold reported arrears on utility bills (EU: 16.8%), with higher rates among households with dependent children (18.0% compared with an EU average of 21.8%) and single-parent households (22.1% compared with an EU average of 21.6%). More generally, the housing conditions of the most vulnerable groups are deteriorating (see Annex 16). Challenges persist with the affordability of housing in growth centres, with an additional challenge in rural areas and areas affected by outmigration, where households often struggle to qualify for renovation loans.

**Transport poverty is higher than the EU average, particularly among vulnerable groups.** Rural areas are more severely affected, due to limited availability of public transport (see also Annex 19) ([381]). Transport poverty, measured by the share of people unable to afford a car, stood at 11.3% in 2025 (compared with 5.5% in the EU). The problem is particularly severe among people at risk of poverty (39.2% vs EU: 16.5%). In 2024, 23% of the population reported that they

([377]) Ministry of Social Affairs and Health (2025) Arvio hallituksen sosiaaliturvamuutosten yhteisvaikutuksista

([378]) From 2024 to 2026, the annual central government funding awarded for NGOs in the social and healthcare sector has declined from EUR 384 million to EUR 274 million (approx. 29%). A further reduction of EUR 50 million in central government contributions is foreseen for the 2027 state budget, while wellbeing services counties may provide an additional EUR 25 million in discretionary funding.

([379]) Ministry of Social Affairs and Health (2025) Tulevaisuuden sote tarjoaa palvelut kaikille tarpeen mukaan

([380]) Ministry of Social Affairs and Health (2026) Eläkeuudistus etenee eduskuntaan

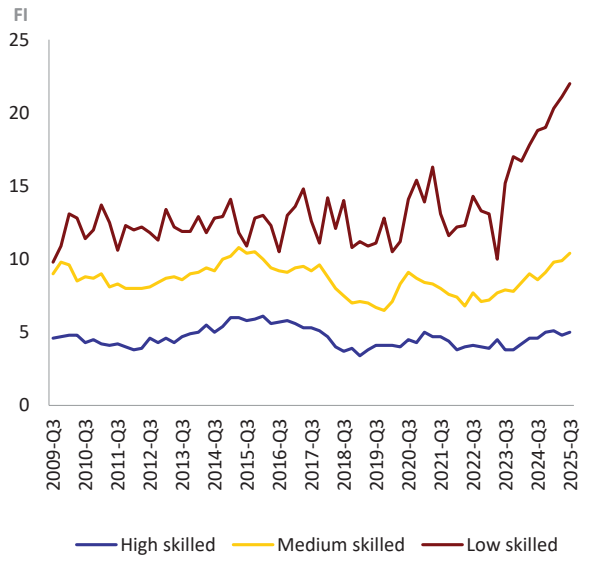
([381]) VTT Technical Research Centre of Finland (2025): Rural areas hit by rising costs

did not use public transport regularly because services are unavailable. As of 2026, the Social Climate Fund will provide vulnerable households and transport users in Finland with up to EUR 464 million in support.

**Further policy action on skills and education could help address high unemployment and boost growth and productivity in the Finnish economy.** Early school leaving remains a concern, and a limited number of measures to reverse the continued decline in basic skills have been adopted or implemented. While science, technology, engineering and mathematics (STEM) enrolment in higher education is among the highest in the EU, skills mismatches and shortages are contributing to low productivity growth and high structural unemployment. Tertiary educational attainment is well below the EU average and, despite efforts to widen the higher-education offer, Finland is likely to miss its 2030 target of a 50% attainment rate among young adults. The 2025 country-specific recommendation for Finland highlighted the need to address skills shortages by reskilling and upskilling the workforce and widening the higher-education offer, in particular for the skills most in demand in the labour market.

**Declining basic skills and increasing early school leaving call for attention.** According to the 2022 PISA, Finnish students' basic skills continue to decline, although they remain above the EU average ([382]). The proportion of students underachieving has increased, and for foreign-born students it is now one of the highest in the EU (57%). The share of early leavers from education and training (ELET) was 9.9% in 2025 (EU average: 9.1%). There are regional variations, with the ELET rate at 13.1% in rural areas and 7.8% in urban areas in 2025. ELET rates are also lower for young people born in Finland (9.4%) than for those born abroad (14.1%). Unemployment among people with only primary or lower secondary level qualifications stood at a very high 22.9% in 2025, emphasising the importance of promoting further educational attainment at all levels (see graph A13.1). To address challenges linked to the decline in the number of school-age children across Finland, the Ministry of Education and Culture has launched a government grant in 2026 to ensure equal access to quality compulsory education ('basic') ([383]). The initiative ([384]) promotes cooperation between municipalities in organising and providing basic education in sparsely populated areas.

Graph A13.1: **Unemployment rate by educational attainment (quarterly)**




(1) Unemployment rates ages 20-64 (% of labour force), seasonally adjusted.
***Source:*** Eurostat, LFS [une_educ_q].

**Finland is taking several measures to strengthen students' basic skills.** The legislative framework has been amended to increase the minimum average weekly classroom hours dedicated to literacy and numeracy. Additionally, support for learning has been reformed from preschool to upper secondary education, emphasising differentiated instruction, co-teaching and inclusivity. While both measures came into effect in August 2025, their impact still needs to be assessed. To counter declining learning outcomes, the Ministry of Education and Culture has begun preparations for a competence guarantee. The goal is to ensure that all basic education students attain sufficient basic skills for further studies. The first step will be a reform of the Basic Education Act (entering into force as of 1 August 2026), which includes an update of the National Core Curriculum and additional teaching in preparatory education for newly arrived pupils, when needed, to ensure sufficient linguistic competence. In addition, an equality fund was established in legislation in 2023, making it easier to target aid specifically to areas where socio-economic factors may contribute to poorer educational outcomes. Finland has also introduced a legislative amendment restricting smartphone use during lessons to educational or healthcare

([382])OECD, 2022, PISA.

([383])Basic education is for pupils who are between 7 and 15 years old.

([384])Ministy of Education and Culture, 2025, *Kuntien yhteistyötä perusopetuksen järjestämisessä vahvistetaan ikäluokkien pienentyessä*.

purposes, with the aim of improving the learning environment ([385]).

**Vocational education and training (VET) is being reformed to incentivise transitions to employment or further study.** Although work-based learning features strongly in VET programmes, with 79.6% of those completing VET in 2025 having had at least one month of work experience during their studies (EU average: 66.0%), the employment rate of recent VET participants has fallen by a considerable 5.4 pps since 2023 to 75.2% in 2025, below the EU average of 80.2%). Since 2022, the employment rate of male VET participants has fallen by 7.5 pps to 72.6%, and by 1.7 pps to 78.4% among women. Following a one-off budget cut of EUR 85 million in 2025, the central government financing for VET programmes increased by EUR 43 million for 2026, the first year of application for the reformed funding model. A larger share of funding will be awarded on the basis of completed education credits or transitions to employment and further study, strengthening the incentives for VET providers to align the education offer with the skills in demand on the labour market ([386]). While providing the right incentives, the reform slightly increases the risk of underfunding in times of low labour demand. Finland is preparing further measures to strengthen cooperation between VET and working life, expand the offer of commissioned education in VET, support continuous learning and strengthen the supporting measures during VET. From 1 January 2026, a large-scale operational steering pilot for VET was launched, allowing greater freedom for participating VET providers to provide vocational education and training leading to a qualification. The pilot runs until the end of 2033 and aims to strengthen the effectiveness of VET and to promote cooperation between education providers and local labour markets.

**Boosting STEM in vocational education and training is crucial for Finland's future competitiveness and economic growth.** Further increasing enrolment in science, technology, engineering and mathematics (STEM) in VET could bolster Finland's competitiveness, particularly in key sectors such as ICT, defence and clean technologies. While enrolment in STEM fields is relatively high at tertiary level, it was only 31.4% in secondary-level VET programmes in 2024 (EU average: 36.6%). Women account for 23.3% of VET participants enrolled in STEM (EU average: 15.9%). The ongoing development of secondary-level VET to better align with the needs of working life could pay specific attention to the STEM sector and promoting further educational attainment among men, while not discouraging female participation.

**Tertiary educational attainment (TEA) has been declining since 2020.** In 2025, the TEA rate stood at 38.2%, well below the EU average of 44.8% and lagging behind the 2030 EU-level target of 50%. There has been no sustained long-term growth since 2015, when the rate stood at 40.2%. Among men, in 2025 the rate was 30.7% (EU average: 39.3%), against 46.2% for women (EU: 50.6%). Only 23.9% of foreign-born people aged 25-34 hold a higher education qualification, compared to 41.2% of people born in Finland. Regional differences remain noticeable, with the Helsinki-Uusimaa region being the only one close to the EU average (43.4%) and Northern, Eastern and Western Finland lagging significantly behind. The TEA attainment rate stands at 43.3% in cities and 27.3% in rural areas (see Annex 11).

**Finland has adopted measures to widen the higher-education offer.** To address the lack of skilled workers, measures under the National Recovery and Resilience Plan aim to boost participation in higher education by increasing the number of study places and allocating new places to fields that support economic growth, such as nuclear engineering and energy technology. An additional EUR 42.1 million of national funding was allocated for 2024-2027, creating additional places on nursing and social care degree programmes and early childhood education teacher training, and permanent new places in medicine and veterinary medicine ([387]),([388]). In 2026, some 1 095 additional higher education places will be created as a one-time measure. About half of these will be allocated to universities

([385])Education and Training Monitor 2025.

([386])Ministry of Education and Culture, 2025, *Ammatillisen koulutuksen kehittäminen*.

([387])Ministry of Education and Culture, 2024, *Tiede- ja kulttuuriministeri Sari Multala myönsi korkeakouluille lisärahoituksen uusiin aloituspaikkoihin*.

([388])Ministry of Education and Culture, 2024, *Ministeri Multala: Lääkäri- ja eläinlääkäripulaan vastataan historiallisilla koulutuslisäyksillä*.

for five-year programmes, and the other half to universities of applied sciences for programmes lasting three and a half years. A pilot project on a draft national framework for micro-credentials in higher education was introduced in 2025. Finland is also implementing a EUR 255 million doctoral education pilot (2024–2027) to fund 1 000 new three-year, salaried PhD positions, aiming to boost research, development, and innovation.

**Finland aims to increase the admission of first-time degree students with the new tertiary education funding model.** Launched in 2025, the new funding model is expected to encourage first-time admissions by including the number of new first-time students as a criterion for funding. Conversely, higher education institutions will receive less funding for students pursuing a second or additional degree at the same level (a weighting co-efficient of 0.5). The government also proposed to amend the Universities Act and Universities of Applied Sciences Act so that a student's previous study right ends if he/she accepts a new study right, and proposed to introduce a 'double degree' reform ([389]). Under the proposal, the Universities of Applied Sciences Act would be amended so that paramedic science, midwifery and public health nursing would become distinct regulated programmes, while the existing integrated paramedic science and public health nursing programmes are still available. The objective of both initiatives is to allocate study places leading to a degree to those who do not yet hold a higher education degree or have the right to study for a higher education degree, as well as to close the gaps in fields with skills or labour shortages ([390]).

**Skills shortages are likely slowing down the labour market recovery, especially in the eastern border regions.** While eastern border regions such as North Savo and North Karelia have seen positive results from vocational education and training programmes and research-driven economic strategies, other regions such as Kainuu and South Karelia continue to face difficulties in attracting and retaining skilled workers despite targeted measures ([391]). Higher education institutions act as a gateway for international migration and skills development, with the share of international students in South Karelia reaching 9.9%, above the EU average of 9.7%. Finland's Recovery and Resilience Plan and the European Social Fund Plus (ESF+) jointly provide EUR 268 million in dedicated support to upskilling, reskilling and the anticipation of future skills and training needs. The strategic use of national and European funding to facilitate the long-term development of skills in line with the needs of a changing labour market will be key when looking to the future.

**Investments in green and digital skills, together with professional qualifications in manufacturing, could support Finland's economic growth and competitiveness.** With its low energy prices, clean energy mix and substantial investments in the circular economy, Finland is at the forefront of the clean transition as the engine of sustainable growth ([392]). Although Finland has registered a comparatively low number of occupations relevant for the green transition that experience shortages ([393]), upskilling and reskilling are important to address the medium- and long-term demands in the labour market. Employers in the technology industries will require an estimated 140 000 new skilled professionals over the next decade, mainly in machinery and metal production, ICT, product design and consulting, and the electronics and electrical sectors. Nearly three quarters of these workers should have tertiary education, with the greatest demand for university of applied sciences graduates ([394]). Demand for skilled labour is also expected to grow in the marine construction sector following major partnerships ([395]). Digital skills are consistently a strong point for Finland, with ICT specialists accounting for 7.8% of total employment in 2025 (EU average: 5%) and 81%

([389])Ministry of Education and Culture, 2024, *Hallituksen esitys eduskunnalle laeiksi yliopistolain ja ammattikorkeakoululain muuttamisesta (ns. yhden opiskeluoikeuden säännös)*.

([390])Ministry of Education and Culture, 2024, *Sosiaali- ja terveysalan kaksoistutkintouudistus*.

([391])OECD, 2025, *Transition strategies for Finland's Eastern and South-Eastern border regions*.

([392])Ministry of Economic Affairs and Employment, 2025, *TEM:n ministerit esittelivät hallituksen kasvu- ja työllisyyspaketin kokonaisuuden*.

([393])European Commission calculations based on 2025 data from the European Labour Authority.

([394])Technology Industries of Finland, 2025, *Teknologiateollisuuden osaajatarpeesta jopa 74 % kohdistuu korkeakoulutettuihin*.

([395])Ministry of Economic Affairs and Employment, 2026, *Report on skills needs in the maritime industry*.

of individuals aged 16-74 reporting at least basic digital skills (EU: 60.4%). Despite this, further efforts towards digital upskilling and reskilling, notably to align with labour market demands in a country where 37.8% of enterprises are using AI technologies, would be warranted. The ESF+ in Finland supports the development of digital skills among vulnerable groups with an investment of approximately EUR 67 million, aiming to respond to the demands and opportunities of the future world of work. The Just Transition Fund invests an additional EUR 20 million in promoting skills development for smart specialisation, industrial transition and entrepreneurship.

**Finland is actively deploying skills intelligence and forecasting tools to identify current and future labour market needs.** The Skills Needs Compass, supported by the Recovery and Resilience Facility, aims to proactively support the alignment of skills supply with labour market demands, contribute to the development of continuous learning services and promote knowledge-driven decision-making. Additionally, the Service Centre for Continuous Learning and Employment maintains an online database of workforce education and training needs. The service anticipates what qualifications will be needed across different sectors and vocational fields to meet labour demand projected until 2040.

**Finland performs well on adult learning, but further efforts are required to reach the 2030 target.** In 2022, 51.8% of adults aged 25-64 participated in education or training over the past 12 months. Reaching the national target of 60% for 2030 will require further engagement with under-represented groups and regions. In 2024, the participation rate in training was lowest in Åland at 45.0%, considerably below the national average of 53.4%. Men have consistently lower adult learning participation than women (47.9% vs 59.2% in 2024), with the lowest level of participation among men with primary or lower secondary education (34.7% vs 45.5% for women with equivalent education). Adult learning participation is notably lower among people outside the labour force (39.3%), underscoring the need for better targeting of active labour market policies (see Annex 11). The participation rate for nationals of other EU countries is only slightly below the national average. However, contrary to the EU trend, non-EU migrants in Finland participate in adult learning slightly more than those born in the country (57.5% vs 53.1% in 2024). Recent policy recommendations suggest developing state-backed loans and renewing the apprenticeship model. However, without an implementation plan, and with a shift to loan-based funding, low-income groups may face reduced opportunities. The abolition of the education supplement for public sector employers from January 2026, on top of the adult education allowance that was discontinued in 2024, may reduce upskilling and reskilling opportunities. At the same time, Finland is improving career guidance by reforming continuous learning with RRF support, including the digital services package for continuous learning platform. The national qualifications database in Finland is not connected to Europass.

Table A14.1:**Social Scoreboard for Finland**

| | | |
|---|---|---|
| Equal opportunities and access to the labour market | Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022) | 51.8 |
| | Early leavers from education and training (% of the population aged 18-24, 2025) | 9.9 |
| | Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025) | 81.0 |
| | Young people not in employment, education or training (% of the population aged 15-29, 2025) | 11.0 |
| | Gender employment gap (percentage points, population aged 20-64, 2025) | 1.3 |
| | Income quintile ratio (S80/S20, 2025) | 3.93 |
| Dynamic labour markets and fair working conditions | Employment rate (% of the population aged 20-64, 2025) | 76.3 |
| | Unemployment rate (% of the active population aged 15-74, 2025) | 9.7 |
| | Long term unemployment (% of the active population aged 15-74, 2025) | 2.4 |
| | Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2024) | 108.7 |
| Social protection and inclusion | At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025) | 17.2 |
| | At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025) | 17.1 |
| | Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025) | 44.6 |
| | Disability employment gap (percentage points, population aged 20-64, 2025) | 20.5 |
| | Housing cost overburden (% of the total population, 2025) | 4.7 |
| | Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025) | 43.2 |
| | Self-reported unmet need for medical care (% of the population aged 16+, 2025) | 7.8 |

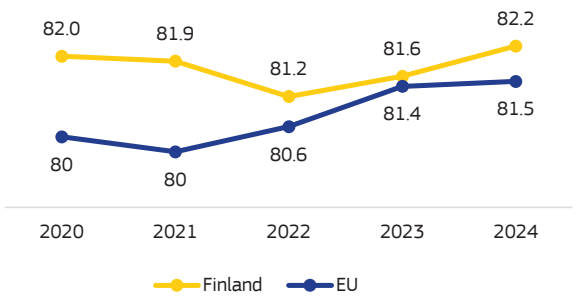
| Critical situation | To watch | Weak but improving | Good but to monitor | On average | Better than average | Best performers |
|---|---|---|---|---|---|---|

Update of 4 May 2026. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).

***Source:*** Eurostat

**Finland's health system performs comparatively well, with a high life expectancy at birth and low rate of avoidable mortality.** However, Finland faces limited access to healthcare mainly in relation to (i) shortages and uneven geographical distribution of the healthcare workforce; (ii) fragmentation in healthcare delivery; and (iii) higher demand for services due to population ageing. Several measures are underway to address these issues that could place the country in a better position to ensure the health of its population, social fairness and productivity. The 2025 country specific recommendations (CSRs) refer to the need *to ensure that the reform of social and healthcare services improves the delivery and cost-effectiveness of and access to social and healthcare services and addresses inefficiencies.*

Graph A15.1: **Life expectancy at birth, years**



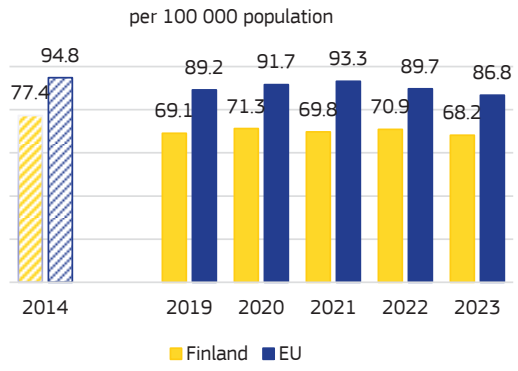

***Source:*** Eurostat (indicator: demo_mlexpec)

**Life expectancy at birth in Finland was higher than the EU average in 2024, and 2023 treatable mortality was lower than the EU average.** There is a gender gap, with women expected to live 5.2 years longer than men (in 2024). However, women are expected to spend around 2.2 fewer years in good health than men. Treatable mortality in Finland is relatively low pointing to the overall effectiveness of the health system. Diseases of the circulatory system ('cardiovascular diseases (CVDs)) and cancer are the leading causes of death, but both remain below the EU averages. Well-established screening programmes contribute to Finland's relatively strong cancer outcomes, particularly for breast, cervical and colorectal cancers. Alzheimer and other dementias – are the third death cause ([396]).

([396])OECD/European Observatory on Health Systems and Policies (2025), Country Health Profile 2025: Finland. State of Health in the EU.

Finland participates in several EU4Health-funded joint actions aimed at reducing the burden of cardiovascular diseases, cancer, diabetes and respiratory diseases, and improving mental health.

Graph A15.2: **Treatable mortality**




Age-standardised death rate - mortality that could be avoided through optimal quality healthcare.
***Source:*** Eurostat (indicator: hlth_cd_apr)

**Preventable mortality in Finland is only slightly below the EU average despite relatively high spending on prevention.** In 2023, spending on prevention in Finland accounted for 4.6% (from 6.4% in 2022) of total public spending on health, higher than the EU average of 3.7%. Rates of obesity and overweight are a growing public health concern. In 2022, more than 22% of adults in Finland were classified as obese ([397]). Poor nutrition is a key driver with too few consuming fruits and vegetables. A big proportion of Finnish adults engage regularly in physical activities. This is however not the case for the adolescents. Finland is introducing measures to improve disease prevention, also as part of its recovery and resilience plan (RRP). The new measures aim to strengthen prevention and identify health problems early by rolling out regional integrated multi-sector service management models (bundling healthcare with other services) in the well-being services counties (WSCs).

**Nearly one third of deaths in Finland are linked to behavioural risk factors ([398]).** Although average alcohol consumption in the population is relatively low, alcohol-related causes

([397])European Observatory on Health Systems and Policies/OECD (2025), Synthesis Report 2025: Health Policy Reform Trends in the EU.

([398])Country Health Profile 2025: Finland - see earlier footnote.

Table A15.1:**Key health indicators**

| | 2020 | 2021 | 2022 | 2023 | 2024 | 10-year change** | EU average* (latest year) |
|---|---|---|---|---|---|---|---|
| Cancer mortality per 100 000 population | 211.4 | 209.9 | 204.9 | 208.0 | n.a. | 0.95 | 233.1 (2023) |
| Mortality due to circulatory diseases per 100 000 population | 306.8 | 304.0 | 310.2 | 303.8 | n.a. | 0.80 | 313.0 (2023) |
| Current expenditure on health, purchasing power standards, per capita | 3 231 | 3 461 | 3 619 | 3 995 | n.a. | 1.38 | 3834.9 (2023) |
| Public share of health expenditure, % of current health expenditure | 79.1 | 79.2 | 79.6 | 81.0 | n.a. | 1.04 | 80.6 (2023) |
| Spending on prevention, % of current health expenditure | 5.6 | 8.2 | 6.4 | 4.6 | n.a. | 1.39 | 3.7 (2023) |
| Available hospital beds per 100 000 population*** | 239 | 246 | 231 | 225 | n.a. | 0.58 | 440 (2023) |
| Doctors per 1 000 population* | 2.9 | 2.9 | 2.9 | 2.9 | n.a. | 1.08 | 4.3 (2023)* |
| Nurses per 1 000 population* | 12.5 | 12.8 | 12.8 | 12.7 | n.a. | 1.13 | 7.6 (2023)* |
| Mortality at working age (20-64 years), % of total mortality | 13.5 | 12.7 | 11.7 | 11.7 | 11.6 | 0.75 | 14.3 (2023) |
| Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants | 11.9 | 11.3 | 12.5 | 12.9 | 13.7 | 0.76 | 20.3 (2024) |

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2023 data (or latest available). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.
** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.
***'Available hospital beds' covers somatic care, not psychiatric care.
***Source:*** Eurostat

continued to be the main contributor to preventable mortality in 2022. Standardised death rates related to dementia and mental and behavioural disorders related to alcohol were among the highest in the EU for the 65 and over age group (in 2022). Despite recent tax increases to curb alcohol consumption, a 2024 law raising the alcohol content of grocery-sold beverages from 5.5% to 8% raised concerns that easier access to stronger drinks could reverse public health gains. Lung cancer and ischaemic heart disease each accounted for 13% of preventable deaths ([399]). Finland aims to reduce tobacco and nicotine use to below 5% by 2030, with series of legislative measures - including expanded smoking bans, plain packaging, flavour restrictions, and limits on vapes and nicotine pouches - strengthening regulation across products and settings (2025). The suicide rate in Finland remains among the highest in the EU. Deaths related to drug dependency are particularly high for the younger population. This can be partially explained by relatively high unmet needs for mental health in Finland. As in most EU countries, behavioural risk factors are more common among people with lower education levels.

**Health spending in Finland is slightly above the EU average, as is the share of health costs paid by public funds.** In 2023, Finland spent EUR 3 996 per capita on health (adjusted for differences in purchasing power) equal to 10.5% of GDP. This was slightly above the EU average of 10%. In 2023, 42% of total health spending went to outpatient care, one of the highest shares in the EU. Inpatient care accounted for 20%, down from 25% in 2015. This, together with a relatively low number of hospital beds (see Graph A15.1) reflects longstanding efforts to reduce hospital bed capacity, consolidate hospital services and shift care towards outpatient and community settings. In 2023, Finland recorded low avoidable hospital admission rates for asthma and chronic obstructive pulmonary disease (115 per 100 000, compared with an EU average of 158) and for diabetes (85 per 100 000), indicating relatively effective primary care management. By contrast, avoidable admissions for congestive heart failure were higher, though still below the EU average ([400]).

**While public financing plays a dominant role in Finland's health system, affordability remains a concern.** Public sources accounted for 81% of current health expenditure (the highest level in two decades). The out-of-pocket payments were 14% in 2023 - just below the EU average of 15%. The largest shares of out-of-pocket payments went towards outpatient medicines, followed by dental care and long-term care. In 2021, Finland reformed the User Charges in Health and Social Services Act to lower co-payments for public care. However, patients' fees were increased again at the beginning of 2025 -

([399])Country Health Profile 2025: Finland - see earlier footnote.

([400])Country Health Profile 2025: Finland - see earlier footnote.

further undermining affordability for those most at risk. Funding under Finland's RRP aims to (i) clear the service backlog due to COVID-19; (ii) support equal access to healthcare; (iii) strengthen prevention and early identification of health problems; (iv) improve knowledgebase for social and healthcare services; and (v) increase the digitalisation of the health system.

**Finland's 2023 reform centralised health services with some 'well-being services counties' struggling with deficits.** According to the 2024 ageing report, Finland is among the EU countries where age-related spending is projected to rise significantly. This is linked with increasing utilisation of services, chronic disease prevalence, and greater needs linked to multimorbidity among older people (see Annex 2). At the same time, structural inefficiencies within the system add to fiscal pressures. Fragmentation between occupational, public and private service pathways, and uneven regional workforce distribution tend to contribute to cost growth. The ongoing reform establishing wellbeing services counties (WSCs) aims to improve coordination, but deficits at regional level may illustrate the difficulty of containing costs while responding to rising demand. While service provision is now centrally financed based on population needs, national health insurance (Kela), employers and households continue to play complementary roles through coverage of medicines, occupational healthcare and private services. A mid-term review of the reform underlined the need to re-evaluate the WSCs funding model. Finland has requested technical support as part of a multi-country project to apply a performance pathway approach in their health system performance assessment HSPA) to strengthen policy decision-making, improve resource allocation, and accelerate progress toward national health goals. The project, funded through the Technical Support Instrument, should lead to a (i) systematic identification of areas of suboptimal performance; (ii) understanding of root causes; and (iii) timely development of appropriate policies to address challenges through an expected increase in HSPA use focusing on performance pathways.

**Finland faces challenges with access to healthcare and socio-economic disparities.** In 2025, 7.8% of the Finnish population reported having unmet medical care needs, down from 8.5 in 2024, but much higher than the EU average of 2.4%. Self-reported unmet dental care needs are also among the highest in the EU (more than double the EU average in 2024). Long waiting times are the main reason for unmet needs. The difference in unmet medical needs between income groups in Finland is also among the highest in the EU, with a 85% poverty gap in 2025. In 2024, 9% of adults in Finland reported unmet needs for primary care and 12% for mental healthcare - among the highest rates in the EU and a marked increase since 2021 ([401]). According to national data, access to primary healthcare has improved. This is also confirmed by the findings of the mid-term evaluation on the ongoing reform. It underlines improved access to healthcare in some areas as well as improvements in fair access linked to income. To address unmet mental health needs, a statutory "therapy guarantee" entered into force in May 2025, requiring free access to short-term psychotherapy or psychosocial support for those under the age of 23, to take place within one month of the needs assessment.

**Maintaining a sustainable health workforce remains a major challenge**. In 2023, the country had 2.9 practising physicians per 1 000 people, below the EU average of 4.3. Physician shortages persist, especially in rural and northern regions (see Annex 18). Nurse density remains high at 12.7 per 1 000, reflecting expanded nursing roles in primary and hospital care. Finland trains 74 nursing graduates per 100 000 population, well above the EU average. Although there are only 13 medical graduates per 100 000, there is a significant number of medical students studying abroad([402]). Workforce pressures are compounded by an ageing workforce with around 20% of both nurses and physicians being 55 and over. Vacancies fell from over 7 300 in early 2023 to around 2 500 by early 2025, yet staffing gaps remain in remote areas, and unemployment among assistant nurses, points to mismatches in supply and demand.

**Efforts are underway to strengthen the health workforce, including measures to improve recruitment, retention, skills and working conditions.** In response to challenges, authorities have increased study places, promoted inter-regional mobility and strengthened support for international recruits. The 2021 structural

([401])Country Health Profile 2025: Finland - see earlier footnote.

([402])https://www.laakariliitto.fi/tutkittua-tietoa/koulutus-ja-ammatillinen-kehittyminen/

reform and establishment of WSCs are expected to improve workforce planning, coordination and retention across the health and social care sector. Working conditions for health professionals are a significant issue, with low pay acting as a barrier to working in healthcare, particularly for hospital nurses and physicians ([403]). The country has long sought to address health workforce shortages through a range of measures, including expanding medical school enrolment, actively recruiting foreign professionals, introducing skill-mix innovations to boost nursing employment, and using technology to enhance productivity and overcome geographic barriers. Nursing roles have been broadened to cover patient consultations for acute and chronic conditions, prescribing and care coordination in primary care, outpatient consultations, and advanced functions in operating theatres. In 2023, the government launched the "Good Work" programme to ensure sufficient staffing across healthcare, social welfare, and rescue services, focusing on improving working conditions, strengthening training pathways, implementing recruitment and retention strategies in underserved areas, and supporting staff mental well-being and occupational health.

**Finns make greater use of digital health services than the EU average.** The shares of people accessing their personal health records online and using online health services (excluding phone) instead of in-person consultations were both among the highest in the EU (74% compared to 28% at the EU level). This reflects Finland's relatively strong digital infrastructure, high public trust (with some challenges in cybersecurity) and digital literacy - satisfaction with digital health services continues to grow, especially among younger and more digitally engaged users. Investments to boost the digital transformation of the health sector are being implemented under the RRP. Measures focus on increasing the public's use of healthcare and social welfare e-services and developing digital methods to support a 'care guarantee' in social care and healthcare. Digital solutions have their role to play in addressing the 2025 CSR on both access and efficiency. Investments under the RRP are complemented by 2021-2027 cohesion policy funds. In addition, Finland participates in joint actions and benefits from direct grants under EU4Health to improve the semantic interoperability of health data and facilitate the implementation of the European Health Data Space.

**Finland's pharmaceutical sector is of comparatively modest economic significance.** Employment in pharmaceutical manufacturing remains among the lowest in the EU. However, the number of clinical trials per million population was slightly above the EU average at 18.7 in 2024 with a recent downward trend in clinical research activity ([404]). While extra-EU exports in pharmaceuticals improved significantly, it dropped again to 3% in 2025 - much below the EU average of 13.9%). Finland's pharmaceutical patent activity was only 1.1 per million population, compared to 1.8 in the EU in 2024 ([405]).

([403])OECD (2025), *Health at a Glance 2025: OECD Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/8f9e3f98-en.

([404])US National Library of Medicine, https://clinicaltrials.gov.

([405])European Patent Office: Statistics & Trends Centre | epo.org.

**The housing market is Finland is experiencing a contraction characterised by declining prices and sales, as well as declining constructions.** This situation is the consequence of: (i) an increased supply of dwellings between 2016 and 2022, in particular single flats, due to temporarily high construction levels in the context of low interest rates; (ii) a decrease in demand due to the increase in inflation and interest rates; and (iii) high construction costs and low prices that reduce the profitability of projects for promoters. The construction sector is expected to start to recover gradually in 2026. Budget resources for social housing construction are being reduced in the 2025-2027 central government budget and stakeholders are concerned that this could make counter-cyclical investments more difficult.

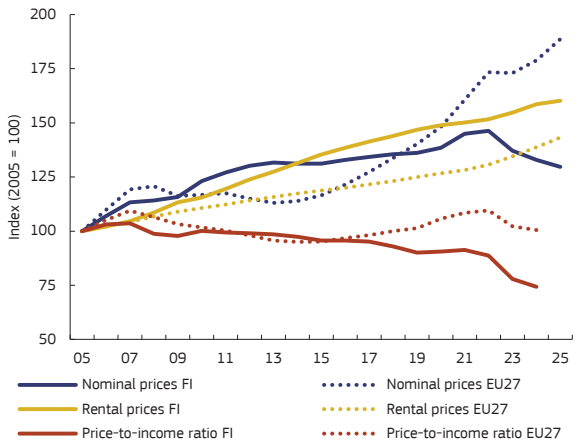
**Total household expenditure on housing remains high, but the decreasing prices and rents have made housing more affordable for people entering the housing market such as first-time buyers or young people.** There are significant regional disparities, with high demand for social and affordable housing in major cities and growth areas, while in rural areas or regions affected by outmigration the value of housing is low and renovation and energy costs high.

**While government expenditure on social protection is being reduced, recent data suggest worsening housing access and affordability for the most vulnerable.** Homelessness has increased over the past two years, with high costs of living and social protection reforms cited as contributing factors. The housing cost overburden rate, mortgage arrears, energy arrears and energy poverty follow similar trends, in particular for households at risk of poverty.

## Housing market developments

**Following monetary tightening, nominal house prices have been decreasing over the past three years.** The economic response to the COVID-19 pandemic caused interest rates to fall below zero. Furthermore, as a large majority of Finnish household mortgages are tied to Euribor interest rates ([406]), this has resulted in an increase in construction, transactions and prices. In 2021, nominal prices increased by 4.6%, but Russia's war of aggression against Ukraine, high inflation and tighter monetary policy reversed the positive trends. As borrowing costs increased significantly in 2022-2023, fewer households took out new mortgage loans and purchased dwellings. Consequently, after the peak in 2022, nominal house prices declined by 9% in 2023-2024 and Finland has been the only country in the EU where house prices continued to decline in 2025, by 2.5% year-on-year. In 2025, house prices were roughly at the same level as in 2013. Due to high inflation, real house prices also fell significantly in 2022-2025. The price-to-income ratio fell as well in 2025, attaining around 80% of its long-term average.

Graph A16.1: **House prices, rents and price-to-income evolution in FI and EU27 since 2005**




***Source:*** European Commission

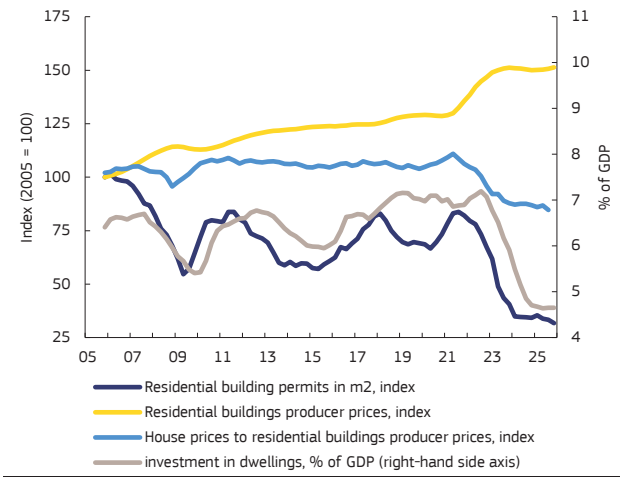
**Rents have increased steadily since 2005, but the rise in aggregate income has led to more affordable housing for tenants on average.** Around 30% of the population lives in rental apartments. Rents (including existing and new rental contracts) have increased by 2.5% per year between 2005 and 2024. In 2021-2024, the average increase in rents was 1.6%. Despite this, the rent-to-income ratio has declined by 10% since 2020.

**While affordability has improved, household expenditure on housing remains high in Finland.** Housing and related expenses

([406])With the 12-month Euribor interest being the most popular interest rate. Source: Bank of Finland.

represented 29.6% of household consumption expenditure in 2024, compared with the EU average of 23.6%. Both the price-to-income ratio and real house prices were at their lowest levels in 2005-2024. These developments imply, on the one hand, that the value of household real assets has declined significantly, which may have impacted perceived household wealth and reduced private consumption, and, on the other hand, that dwellings have become more affordable overall.

Graph A16.2: **House supply indicators in FI since 2005**

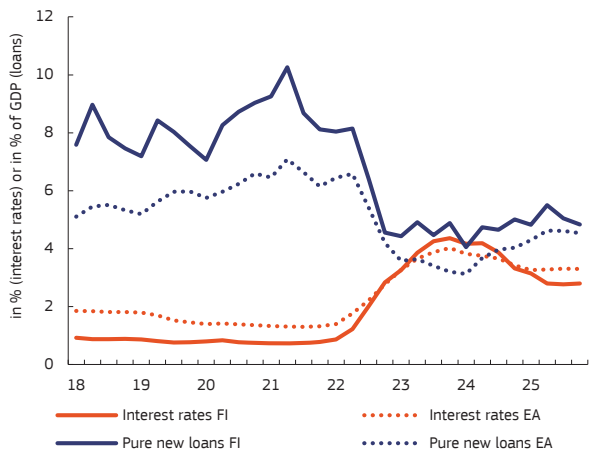



***Source:*** European Commission

**The recent contraction in residential investment appears to be driven mainly by a temporary fall in incentives for promoters to start new projects.** Since 2005, investment in dwellings has seen three periods of significant decline in terms of its share of GDP (Graph A16.2). The most recent fall in residential investment started in 2023, and was preceded by a period of zero interest rates, increased construction and supply of dwellings, with the start of construction of more than 40 000 dwellings per year. While the situation may have stabilised in the course of 2025 (when the construction of around 16 400 new dwellings in total was started), construction levels are still at their lowest since 2005. The recent fall in construction appears to be driven by a rapid and significant deterioration of incentives for promoters to build new dwellings. Construction costs started to increase rapidly in 2021 due to disruptions in global supply chains and increased further in 2022 with the outbreak of Russia's war of aggression against Ukraine. Soon after, as discussed above, house prices started to fall and this has resulted in a house-price-to-construction-costs ratio that is at its lowest level since 2005. This coincides with the fall in residential building permits.

**Medium-term construction needs remain significant and will drive the recovery of the construction sector once demand for new housing picks up.** A medium-term forecast suggests that Finland should build approximately 31 000 to 35 000 dwellings annually to meet future demand, while between 21 000 and 46 500 dwellings are actually being built ([407]). The Commission estimates a cumulative housing construction gap of around 8,000 dwellings annually ([408])). Vacant housing rates, as calculated by Eurostat, are amongst the lowest in Europe.

Graph A16.3: **Borrowing costs and housing loans, in FI and EA since 2018**




***Source:*** European Commission

**The contraction in the housing market may hide underlying skills shortages in the construction sector, which will resurface when construction picks up again.** The weak economic times led to increased unemployment in construction and supporting fields such as architecture and engineering. Although employment in construction and related services had already increased slightly in 2025, a stronger recovery in the construction sector is not expected until 2027 ([409]). In 2024, Finland reported not only surpluses in many occupations related to housing construction, but also shortages in building

([407])VTT Technology (2025) Asuntotuotantotarve 2025-2045.

([408])Balouktsi et al. (2026) Housing investment needs in the EU. JRC Technical Report 144419.

([409])Ministry of Economic Affairs and Employment (2025) Lyhyen aikavälin työmarkkinaennuste: syksy 2025.

construction labourers ([410]). In the long run, however, skills shortages and mismatches could limit growth and job creation in the construction sector ([411]).

## Structural policies

**The governance of the social housing sector has changed.** ARA, the public agency in charge of managing applications by social housing providers for state support, was dissolved in March 2025 and has been replaced by Varke, which operates as part of the Ministry of the Environment. From 2026, the State Housing Fund will be included in the state budget to strengthen parliamentary oversight.

**Finland has been lauded for its model of public land ownership and development ([412]) ([413]) as well as its efficient permitting system.** Municipalities acquire, plan, service and sell or lease land, in particular to affordable housing providers. The 'MAL agreements' between the state and certain regions concern land use, housing and transportation. They can also contain targets for affordable and social housing, though in practice these targets have not always been met ([414]). The permitting process is one of the fastest in Europe ([415]). The Construction Act, which entered into force in January 2025, requires all building permit applications to be submitted in building information modelling format and sets a three-month limit for processing permits (six months for complex projects).

**Finland recently abolished several tax deductions that benefited homeowners.** Mortgage interest tax relief was abolished in 2023 for people buying their permanent residence (including first-time buyers). Rental investments, however, continue to benefit from a favourable tax system (see Annex 3). In January 2024, the exemption of property transfer taxes for first-time buyers was also abolished, which led to a peak in sales at the end of 2023 as first-time buyers rushed to complete their sales. At the same time, transfer taxes were lowered both for detached houses and appartements. The government still provides subsidised loans and free guarantees for first-time buyers (ASP loan).

**In 2024, according to Eurostat, 11.8% of Finland's population rented a flat at a reduced price or for free down from 17.5% in 2005.** Over the past few years, fiscal consolidation efforts have reduced the budget for building state-subsidised housing. In 2024 and 2025, the government allocated loans of EUR 2.25 billion and EUR 1.75 billion, respectively, for building state-subsidised housing, while investment grants for special-needs housing fell from EUR 63 million to EUR 15 million. In anticipation of a recovery in the private construction sector, this loan budget is set to decline to EUR 1.14 billion in 2026 and EUR 0.5 billion in 2027. The stock of normal social housing rental units has declined from 293 000units in 2010 (11,4% of total dwelling stock) and stood at around 240 000 dwellings in 2024 (8,4% of total dwelling stock) despite the 7 800 subsidised rental apartments built annually in 2023-2025([416])([417])([418]).

**Cost-based rents have increased faster in social housing than in the private sector.** As rents in social housing are determined on a cost-

([410])ELA EURES report on Labour Shortages and Surpluses 2024.

([411])Rakentamisen alho ei vähentänyt alan osaajatarvetta – Rakennusteollisuus RT Aloitusdia Avenir Next LT Pro Demi 48pt Rakennusalalta on kadonnut jopa 40 000 työntekijää – osa on lähtenyt ulkomaille siirtämään kokonaista kaupunkia | Uusimaa | Yle

([412])European Parliament (2025) Mapping the housing needs in the EU, assessing the impacts of scarcity and providing an overview of relevant EU legislation.

([413])Perspective Brussels, 2025, planningmatters_highlight_webinars_2025.pdf. More than 60% of the land within Helsinki is owned by the city.

([414])Rasinkangas, J., Sirkiä, T., Kortelainen, M., Kuronen, M. & Laine, S., 2024, *Objectives and barriers to promoting social housing policy in urban Finland*, University of Turku. Available at: https://www.utupub.fi/bitstream/handle/10024/193026/rasinkangas-et-al-2024-objectives-and-barriersto-promoting-social-housing-policy-in-urban-finland.pdf.

([415])European Commission (2005) Housing in the European Union: Market Developments, Underlying Drivers, and Policies.

([416])ARA (2021) ARA-asuntokannan ja asukkaiden kehitys 2010-luvulla.

([417])Centre for State-Subsidised Housing Construction (2025) Selvitys valtion tuella rakennetuista erityisryhmien asunnoista

([418])Centre for State-Subsidised Housing Construction (2026) PowerPoint Presentation

price basis, strong inflation, higher interest rates and an ageing property stock in need of repairs, have increased the cost of running social housing and ultimately the rents for tenants.

**Reforms of the housing benefit system are underway to improve spending efficiency.** The Finnish housing benefit system is among the most comprehensive in the EU, with 382 000 households (13.8% of the population under 65) receiving the general housing allowance in 2024, amounting to total expenditure of EUR 1.67 billion. The government has implemented several reforms since 2024 to target housing benefits more accurately and contain costs. In particular, it has reduced the maximum compensation amounts, strengthened asset-testing and tightened the eligibility conditions. Both the number of recipients and total payments are falling as a result of the policy ([419]). From 1 January 2025, an income limit was reintroduced for tenants of state-subsidised rental housing to target it more towards low-income tenants ([420]). The changes in housing allowances for students, in particular, have reduced demand for single-person rental apartments especially in university cities, which may have had an impact on recent housing market dynamics.

## Vulnerable groups

**While Finland is traditionally a front runner in addressing homelessness, after years of continuous decline, homelessness started increasing again in 2024.** The country has been successfully implementing the Housing First strategy since 2008, providing unconditional housing and social support to people experiencing homelessness. The implementation of this policy has strongly contributed to Finland's long-term record with reducing homelessness, with a decline of 80% since the start of data collection in 1986. In 2024 and 2025, however, the number of homeless people increased to reach 4 579 people: a 33% increase compared with 2023 ([421]). The main contributing factors cited by municipalities were the lack of small and affordable housing, reforms to social protection, high costs of living and housing, and the increase in arrears and household indebtedness ([422]).

**The affordability of housing and energy are becoming growing challenges, particularly among low-income renters and mortgage holders, whose situation regarding housing is worsening.** In this context, stakeholders have raised concerns that the changes in housing allowances have made housing less affordable, especially among students, young adults ([423]) and households who are unable or unwilling to move to more affordable housing ([424]). The proportion of rent to disposable household income for households at risk of poverty was 45.1% in 2025. The housing cost overburden rate has increased in recent years for households at risk of poverty (an increase of 3.3 pps since 2020, to reach 20.7% in 2025). Given that most Finnish mortgages are variable-rate, mortgage holders were therefore exceptionally squeezed by the steep increase in interest rates in 2022-2023, with the proportion of households going into arrears on their mortgage or rent payments rising by 0.7 pps to 5.0% in 2025, considerably above the EU average of 3.0%. For households at risk of poverty, this proportion increased by 5.7 pps to 15.5%.

**Energy poverty in Finland is closely linked to the cost of energy and the condition of residential buildings (see Annexes 9 and 14).** From 2022 to 2025, the proportion of households reporting arrears on utility bills increased by 1.9 pps to 7.6%, with a substantive increase of 3.5 pps to 16.0% among households at risk of poverty. As of 2026, the Social Climate Fund can provide support for energy-efficiency renovations and the decarbonisation of heating in buildings occupied by vulnerable groups.

([419])Kela (2025) Yleisen asumistuen saajamäärä ja kulut kääntyivät laskuun vuonna 2024 – muutos kiihtyi tammikuussa 2025 voimaan tulleiden lakimuutosten myötä.

([420])Ministry of the Environment (2025) Valtion tukemien vuokra-asuntojen asukasvalintaan otetaan käyttöön tulorajat.

([421])ARA (2025) Asunnottomat 2024.

([422])VATT (2025) Häädöt Suomessa 2015–2024.

([423])Kela (2025) Nuorten aikuisten pienituloisuus on Suomessa verrattain yleistä, mutta ei niin syvää kuin verrokkimaissa.

([424])Kela (2025) Kuudesosa muuttamaan ohjatuista toimeentulotuen saajista muutti lakimuutoksen jälkeen.

Graph A16.4: **Housing affordability selected indicators**

| | | EU27 | | | | | FI | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | unit | 2000-25 avg. | 2023 | 2024 | 2025 | \| | 2000-25 avg. | 2023 | 2024 | 2025 | \| unit | 2023 | 2024 | 2025 |
| House price to income ratio | *2000-25 avg = 100* | 100.0 | 102.0 | 100.2 | | \| | 100.0 | 82.8 | 78.9 | | \| YoY% | -12.1 | -4.7 | |
| Rent to income ratio | *2000-25 avg = 100* | 100.0 | 85.1 | 83.5 | 84.5 | \| | 100.0 | 90.6 | 91.3 | 91.6 | \| YoY% | -4.3 | 0.8 | 0.4 |
| Overburden rate, total | % | 9.9 | 8.8 | 8.2 | | \| | 4.5 | 5.5 | 5.4 | 4.7 | \| PPS/y | 0.1 | -0.1 | -0.7 |
| Overburden rate, tenant with market rent | % | 23.8 | 20.3 | 19.2 | | \| | 13.6 | 15.3 | 14.1 | 12.3 | \| PPS/y | -0.1 | -1.2 | -1.8 |
| Overvaluation gap | % | | | | | \| | 2.0 | -10.9 | -15.8 | -19.2 | \| | | | |
| Deflated construction production price | *2010 = 100* | 102.2 | 112.2 | 111.8 | 110.5 | \| | 98.4 | 101.4 | 99.6 | 98.6 | \| YoY% | -1.3 | -1.8 | -1.0 |
| Building permits | *$m^2$ per ths persons* | 483.5 | 376.9 | 362.9 | 379.9 | \| | 620.9 | 358.6 | 302.4 | 283.5 | \| YoY% | -39.6 | -15.7 | -6.3 |
| Residential construction investment | *% GDP* | 5.5 | 5.8 | 5.1 | 5.0 | \| | 6.2 | 5.9 | 4.7 | 4.7 | \| YoY% | -16.9 | -20.3 | 0.0 |
| Share of ownership | % | 70.0 | 69.1 | 68.4 | | \| | 71.8 | 69.2 | 68.1 | 66.9 | \| PPS/y | -0.4 | -1.6 | -1.8 |
| Share of people living in overcrowded homes | % | 17.7 | 16.8 | 16.9 | | \| | 7.1 | 8.8 | 9.1 | 9.5 | \| PPS/y | 0.4 | 0.3 | 0.4 |

***Source:*** Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

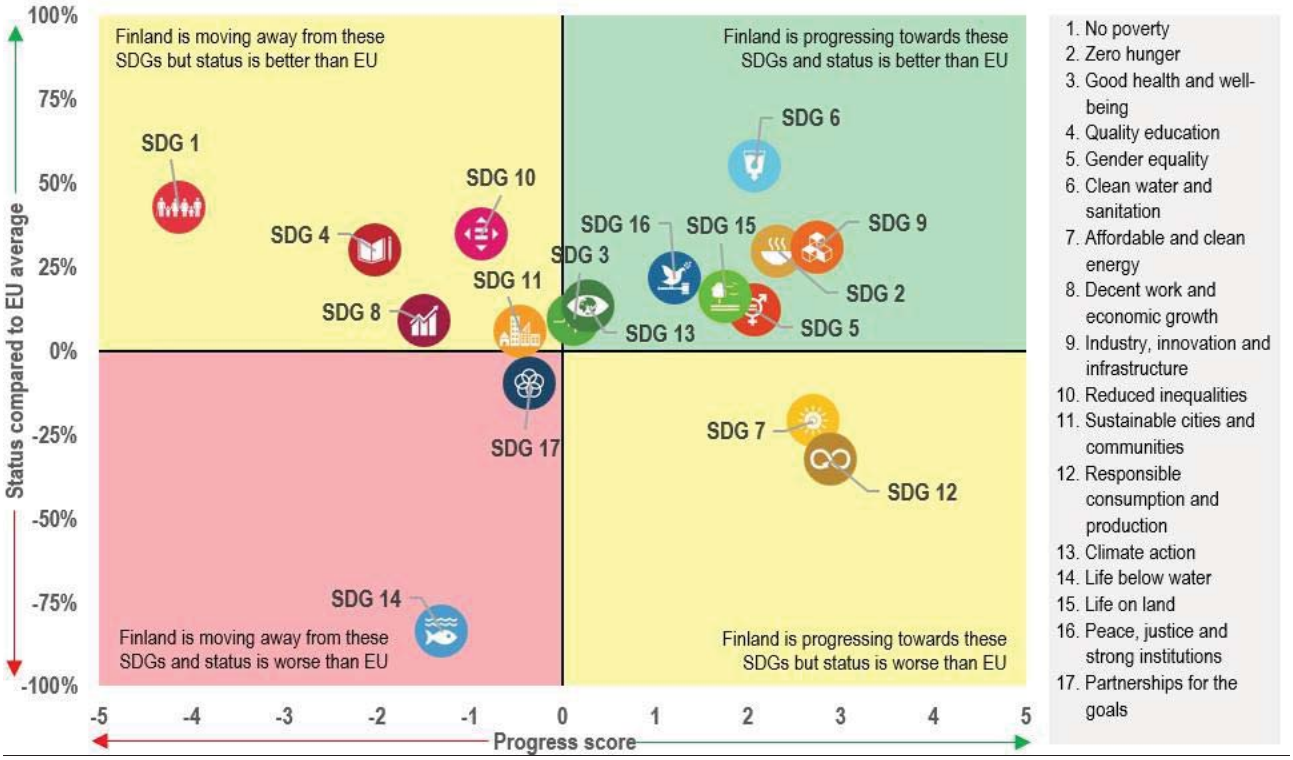
# ANNEX 17: SUSTAINABLE DEVELOPMENT GOALS

**This annex assesses Finland's progress on the sustainable development goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability.** The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. Graph A1.1 is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

**On *competitiveness*, Finland is moving away from SDG 4 (Quality education) and SDG 8 (Decent work and economic growth).** While Finland's employment rate (SDG 8) has been stable between 2019 and 2025, at 76.3%, the long-term unemployment rate has been gradually increasing, now standing slightly just below EU average. In turn, the rate of young people neither in employment nor in education and training (NEET) has increased from 9.1% in 2019 to 11% in 2025. Finland is one the leading countries in the EU regarding the percentage of adults with at least basic digital skills (SDG 4). However, while still below the EU average, the percentage of low-achieving 15-year-olds in mathematics increased by almost 10 percentage points (pps) between 2018 and 2022.

**However, it is improving and performs well on SDG 9 (industry innovation and infrastructure).** Finland increased its spending on R&D from 2.82% of GDP in 2019 to 3.22% in 2024 and has set a national target of 4% (SDG 9) by 2030. The recovery and resilience plan (RRP) includes measures to further improve Finland's productivity by boosting spending on R&D through

Graph A17.1: **Progress towards the SDGs in Finland**




For a detailed progress assessment towards the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for extensive data on the short-term SDG progress of EU countries, see Key findings – Sustainable development indicators; for an interactive visualization of SDG progress of EU countries, see SDG country overview. A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five or six years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

***Source:*** Eurostat, latest update of 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

funding packages to promote the green and digital transitions, notably in components P3C3 (research infrastructure) and P3C4 (strengthening competitiveness) of the plan.

**Finland is making progress on some SDGs related to *sustainability (*2, 6, 7, 9, 12, 13, 15), but is moving away from SDG 11 (Sustainable cities and communities), and SDG 14 (Life below water**). While Finland performs above the EU average on most SDGs in this area, there are some negative trends that deserve attention. For instance, waste generation per capita remains well above the EU average (SDG 12) combined with lower recycling rates (SDG 11), and the percentage of forested area in Finland compared to total land area fell from 71.3% in 2015 to 66.5% in 2023 (SDG 15).

**The need for improvement is most pronounced for SDG 14 (Life below water), which is both below the EU average and deteriorating.** At the same time, the percentage of renewable energy in gross final energy consumption (SDG 7) has continued to increase, from 42.8% in 2018 to 52.1% in 2024, more than double the EU average. In addition, energy import dependency drastically decreased from 42.9% in 2019 to 33% in 2024 in a country with a relatively high energy consumption per capita, almost double the EU average. The first strand of the RRP includes investments in clean energy (SDG 7), decarbonisation of industry (SDG 9) and biodiversity (SDGs 14 and 15). On the reform side, the Waste Act was amended in 2025, including new separate collection targets (SDG 11) and the Nature Conservation Act was updated in June 2023.

**Finland performs well on most SDGs related to *social fairness* (SDGs 1, 3, 4, 5, 8, 10), but needs to catch up with the EU average on SDG7.** The country is above the EU average for several fairness-related indicators, such as persons at risk of poverty or social exclusion (SDG 1; 16.8% of population in 2024, vs 21.0% in the EU) or the percentage of population unable to keep their home adequately warm (SDG 7: 2.7% in 2024; EU: 9.2%). However both indicators deserve further attention as they show a deteriorating trend. On gender equality, the gender employment gap has narrowed to 1.3% in 2024, vs 3.3% in 2019 and an EU average of 9.6% in 2025) and women's representation in leadership positions has improved.

**In addition, Finland has made progress on several indicators related to good health and well-being (SDG 3), such as reducing smoking prevalence from 20% in 2017 to 15% in 2023.** However, there is still room for improvement in other indicators, such as the obesity rate, which is increasing (23.2% in 2025), and above the EU average (16.3%). The RRP includes measures to support the ongoing reform of health and long-term care, aiming to improve the health and well-being status, in component P4C1 (social welfare and healthcare services).

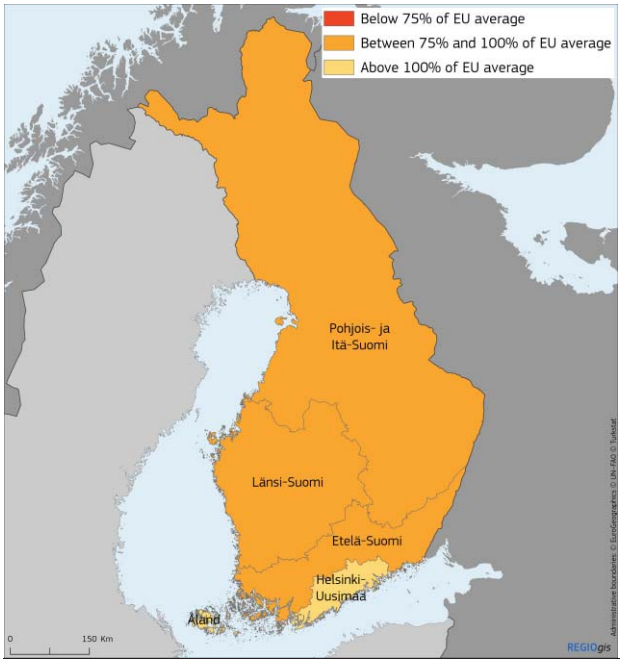
**While Finland performs well on SDGs related to macroeconomic stability (SDGs 8 and 16), it needs to slightly catch up for SDG 17 (partnership for the goals). In addition, Finland is moving away from the goals on SGDs 8 and 17 but is improving on 16.** Finland's real GDP per capita remains well above the EU average but slightly decreased between 2019 and 2025, from EUR 43 910 to EUR 43 010 (SDG 8). Finland performs very well on the perceived independence of the justice system and the Corruption Perceptions Index (SDG 16). Official development assistance increased from 0.42% of GNI in 2019 to 0.47% in 2024, closing the gap with the EU average at 0.50%.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

## Regional development trends

**Overall, Finland's GDP per head (PPS) has diverged from the EU average in the last 20 years, while regional disparities within the country have narrowed (Map** A18.1**).** Helsinki-Uusimaa region, which has the highest GDP per head in the country, has not grown in the past 10 years, and has lost the most in terms of GDP per head compared with the EU average since 2008. Together with the moderate growth in GDP per head of Finland's other greater regions, Pohjois- ja Itä-Suomi, Länsi-Suomi and Etelä-Suomi, the country's internal disparities between the capital region and the rest of the country remain, but have decreased compared with 10 years ago (Map A18.2). Internal disparities within the NUTS2 and even within the NUTS3 regions exist across the whole country (see map A18.2). Åland still has a comparatively high GDP per head in absolute terms. However, a decline in GDP over the past decade meant that Åland's GDP per head fell relative to the EU average between 2012-2020 (from 144% of the EE average in 2012 to 103% in 2020). It is only in the last few years that Åland began to again improve its relative position.

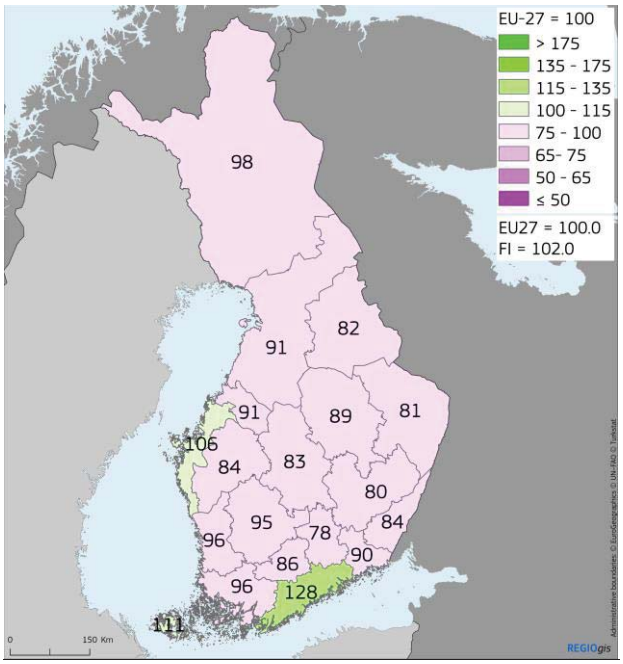
Map A18.1: **GDP per head compared with the EU average**




2021-2023 average GDP per head in purchasing power standard compared with the EU average
***Source:*** Commission calculations based on Eurostat 16 July 2025 data.

**Relatedly, the productivity gap between Finland's capital region and the rest of the country is narrowing.** Labour productivity is greatest in the capital region, but the region experienced no productivity growth between 2013 and 2023. Growth in productivity in this period was the strongest in Åland and Länsi-Suomi (Graph A18.1).

Map A18.2: **GDP per head (PPS, EU=100), NUTS3, 2024**




***Source:*** REGIO calculations based on JRC (ARDECO) data

**Finland's demographic profile is marked by a growing divide between the capital region and the rest of the country.** Between 2015 and 2024, the national population increased by a yearly average of 2.9 people per 1 000 inhabitants, but this growth was largely concentrated in the Helsinki-Uusimaa region, while Etelä-Suomi and Pohjois- ja Itä-Suomi experienced a decline in population. Notably, the migration patterns of young people aged 15-39 show distinct regional differences. In the region of Pohjois- ja Itä-Suomi there was a notable net migration loss in this period (-3.6 per 1 000), contrasting with the significant net migration gain in the capital region (+20.4 per 1 000) ([425]). Across the country, population growth is concentrated in urban areas, while the population in rural areas is shrinking. This dynamic is already shaping

([425])Average annual change per 1 000 residents aged 15-39 between 2014 and 2023.

Table A18.1: **Main development trends, challenges and the concentration of resources.**

| Main development trends | |
|---|---|
| **Transition regions** (population 3 813 773) | **Etelä-Suomi, Länsi-Suomi, and Pohjois- ja Itä-Suomi** are characterised by overall population decline, lower education levels, skills shortages and higher unemployment. On GDP per head, the NUTS 2 regions of Finland show internal disparities at both NUTS 3 level (i.e. between different NUTS 3 regions in the same NUTS 2 region) and between growth centres and the rest. Despite being home to successful innovation clusters and ecosystems, the regions are less able to harness growth trends in dynamic and advanced sectors of the economy. |
| **More developed regions** (population 1 790 078) | **The Helsinki-Uusimaa region** is well equipped to keep pace with the rest of the EU and even outperform it. However, its growth, productivity and innovation capacity have stagnated over the past 10 years. The region also suffers from high unemployment. The region remains the driver of the country's population growth and is its best connected in terms of accessibility and digital connectivity.<br><br>**Åland** maintains relatively strong GDP, even though it has experienced no real growth in GDP between 2014-2024. Its economic structure is concentrated in shipping and maritime industries and dominated by small enterprises. Its labour market needs to better integrate its migrant population and address skills mismatches[1}. Despite relatively low R&D expenditure, Åland maintains a positive innovation trend. |
| **Specific territories** | **Eastern border region's** security and socioeconomic landscape has been impacted by Russia's full-scale invasion of Ukraine. Examined at NUTS 3 level (Etelä-Karjala, Kymenlaakso, Pohjois-Karjala, Etelä-Savo, Pohjois-Savo, Kainuu, Pohjois-Pohjanmaa and Lappi), the eastern border region is experiencing population decline, especially of young people and the working-age population (down by -6% between 2019-2024, excluding Lappi and Pohjois-Pohjanmaa). Relative to the rest of Finland, the border regions have become less economically significant as GDP, business activity, and employment have declined over time. Since 2022, there have been significantly more business closures in the eastern border region than elsewhere in the country, especially in Etelä-Karjala and Kymenlaakso. While other regions are facing challenges, Lappi and Pohjois-Pohjanmaa have remained resilient, with tourism, professional services, and healthcare all expanding. With differences in employment rates between the regions, also the employment trends show shifts in the regional labour market. Manufacturing jobs have declined across the eastern border region, especially Itä-Lappi and Kymenlaakso. Targeted economic support measures, for example by piloting special economic zone(s), in the regions and sectors particularly affected could help to ease the transition of these economies [2].<br><br>**Northern Sparsely Populated Area (NSPA)** in Finland overlaps in significant parts with the eastern border region. The NSPA covers the NUTS 2 region Pohjois- ja Itä-Suomi, which, along with Etelä-Suomi is one of the two NUTS 2 regions bordering Russia. Pohjois- ja Itä-Suomi includes seven NUTS 3 regions, six of which are covered by above analysis of the eastern border region. Competitiveness in the NSPA is hampered by: (i) long distances; (ii) limited transport, digital and energy connectivity; and (iii) decreasing populations caused by interregional emigration to growth centres. There are interregional disparities in GDP per head between different NUTS 3 regions in the NSPA (Map A18.2). |

(1) https://www.asub.ax/en/facts-about-aland
(2) https://www.oecd.org/en/publications/transition-strategies-for-finland-s-eastern-and-south-eastern-border-regions_b03b0b04-en/full-report/overview-of-the-finnish-eastern-and-southeastern-border-region_23e2214b.html
***Source:*** European Commission based on Eurostat data; categories of regions based on Map A18.1.

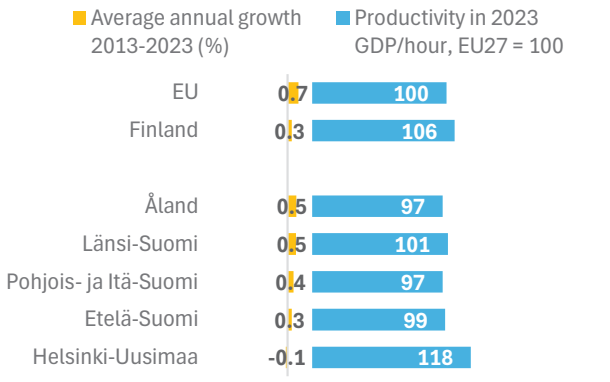
economic prospects. In the medium-to-long term, regional divergence may constrain Finland's growth potential and amplify socio-economic challenges, including in social and healthcare services (see Annex 12).

**Finland is experiencing simultaneously a relatively high employment rate combined with a high unemployment rate, with young people particularly affected by unemployment in Etelä-Suomi.** In 2025, the nationwide employment rate (76.3%) exceeded slightly the EU average (76.1%), with strong performance across the board, especially in rural areas (79%) compared with cities (75%). However, Finland's unemployment rate of 9.7% is higher than the EU average of 6%, with no considerable regional differences at the NUTS 2 level, although

differences at NUTS 3 level can be observed. Youth unemployment (among people aged 15-24) is high nationwide (21.8% vs EU average of 15.2%), and is highest in Helsinki (22.9%), while it is lowest in Etelä-Suomi (20.8%) (see Annex 11).

**The shutdown of the Finnish-Russian border and the consequences of Russia's full-scale war of aggression against Ukraine have altered the economic prospects of eastern border regions**. Finland has the EU's longest border with Russia, stretching over 1 300 kilometres from north to south. The border has been closed since 2023. In addition to the interruptions during the COVID-19 pandemic and the significant slowdown of cross-border economic activity after 2022, this border closure has weighed on the border regions' economies and employment (particularly in tourism, services and retail, manufacturing and forestry, and transport and logistics). This has amplified long-standing structural weaknesses in Finland's eastern border regions, including: (i) an uneven sectoral composition of the economy in the eastern border regions; (ii) declining manufacturing capacity; and (iii) limited economic diversification ([426]).

Graph A18.1: **Labour productivity growth (2013-2023) and labour productivity (2023), Finland (NUTS 2 regions)**




(1) Productivity growth is measured as average annual change
***Source:*** REGIO calculations based on JRC (ARDECO) data

## Key challenges for regional competitiveness

**R&D expenditure remains low outside the capital region and the growth centres of Tampere, Turku, and Oulu.** Finland aims to increase its national-level R&D intensity to 4% of GDP by 2030 (see Annex 4), but current R&D performance varies significantly between regions. The capital region is driving progress on R&D expenditure, having already hit the 4% target in 2023. By contrast, Etelä-Suomi recorded just 1.9% R&D intensity, and Åland only 0.5%. The same divide appears in business-sector R&D spending (BERD). Innovation performance relative to the EU average decreased between 2023-2025 in all mainland regions (i.e. excluding the autonomous Åland Islands), while all Finnish regions lag in the diffusion of new production technology and ideas compared with their European peers ([427]) (see Annex 4). Addressing regional R&D disparities requires targeted investment to boost private-sector R&D in lagging regions and strengthen regional innovation ecosystems. By helping SMEs become more competitive, in particular in transition regions with less developed private capital markets, it is possible to give these ambitions an economic foundation.

**At the regional and local level, innovation is in Finland is fostered through smart specialisation strategies and innovation ecosystem agreements ([428]).** Regions and cities that have used these strategies systematically have seen improvements in their R&D intensity. It is possible to increase the impact of regional development initiatives by linking national strategies to: (i) regional and local strengths; (ii) regional and local development efforts; and (iii) interregional cooperation ([429]). Furthermore, it remains essential to ensure and enhance regions' innovative capacity.

([426]) Transition Strategies for Finland's Eastern and South-Eastern Border Regions (EN).

([427]) Regional Innovation Scoreboard 2025.

([428]) Ecosystem agreements were signed between Finnish governments and several cities to strengthen cooperation in research and innovation activities. For more, see Ekosysteemisopimukset - Työ- ja elinkeinoministeriö.

([429]) Parlamentaarisen TKI-työryhmän loppuraportti, OECD Reviews of Innovation Policy.

**Finland's mineral-rich regions, mainly in the north of the country, are of strategic importance, yet they face challenges**. Although deposits of critical raw materials have been identified across the country (see Annex 5), mining activities have progressed furthest in Pohjois- ja Itä -Suomi, which includes NUTS 3 region of Lappi in the north of the country. The Lappi region alone accounts for 31% of Finland's mining turnover and 32% of its metal refining ([430]). This activity contributes to the region's economy and employment, accounting directly for 6% of the latter. Nevertheless, the regions of Lappi and Kainuu, another mining region in the east of the country, would benefit from further integration into industrial and economic ecosystems, including in the fields of R&D and the circular economy. These two regions have also experienced shortages in strategic high-skilled occupations within the mining sector, including roles in environmental management and digital technologies ([431]). Another issue is that mining activities often occur in sensitive environments, creating cumulative land-use pressures and impacting local and indigenous communities.

**A lack of skilled workers, visible in skills shortages and mismatches, may limit growth potential outside the capital region.** In 2025, Helsinki-Uusimaa was the only region where the proportion of 25–34-year-olds with a tertiary education was close to the EU average (43.4% vs 44.8%). The regions of Pohjois- ja Itä-Suomi and Etelä-Suomi lag significantly behind on this measure, at nearly 10 percentage points below the EU average (see also Annex 13). At the same time, opportunities in the clean and green transition in Länsi-Suomi and Pohjois- ja Itä-Suomi may be hampered by skills shortages despite sectoral potential ([432]).

**Digital adoption among SMEs lags behind in predominantly rural regions.** In 2025 in the capital region, nearly 63% of the workforce is employed in high-technology and knowledge-intensive sectors, compared with 48% in Etelä-Suomi and 49% in Länsi-Suomi and Pohjois- ja Itä-Suomi. Jobs related to AI and information and communications technology are highly concentrated in Helsinki-Uusimaa, which also has the greatest exposure in the country to generative AI ([433]). The digital transition's full potential remains untapped in the rural areas of Pohjois- ja Itä-Suomi, where digital adoption rates by SMEs are markedly lower than the national average ([434]).

**Transport accessibility is more difficult – and travel times are significantly longer – in remote and sparsely populated areas, both for road and railway ([435]).** This is especially the case in the northern sparely populated area and in Åland, although all regions of Finland except for Helsinki-Uusimaa perform below the EU average on these indicators.

**Broadband coverage is insufficient in Finland's sparsely populated rural areas.** Although high-speed mobile and fixed broadband networks are available to most households in the country ([436]), regional differences persist. 5G connectivity of at least 100 Mbps is almost universally available in urban centres and coastal areas, where investments in fibre broadband continue ([437]). However, in sparsely populated rural areas, particularly in northern and eastern Finland, network coverage remains visibly lower, and this may compromise the economic activity and potential of those regions ([438]).

**The regional security landscape has fundamentally changed since Russia's war of**

([430]) OECD (2025), "Enhancing regional mining ecosystems in Lapland, Finland", *OECD Regional Development Papers*, No. 140, OECD Publishing, Paris, https://doi.org/10.1787/5eec7f8a-en.

([431]) OECD (2025), "Enhancing regional mining ecosystems in Kainuu, Finland", *OECD Regional Development Papers*, No. 140, OECD Publishing, Paris, Enhancing regional mining ecosystems in Kainuu, Finland | OECD.

([432]) Job Creation and Local Economic Development 2024 - Country Notes: Finland | OECD.

([433]) Exposure measured as the share of employment exposed to Generative AI. See: Job Creation and Local Economic Development 2024 - Country Notes: Finland | OECD.

([434]) OECD (2023), *Regions in Industrial Transition 2023: New Approaches to Persistent Problems*, OECD Regional Development Studies, OECD Publishing, Paris, https://doi.org/10.1787/5604c2ab-en.

([435]) Eurostat: share of population within a 120-km radius that can be reached within 1h30 by rail (%) by NUTS 2 region in 2021, share of population in 120-km radius accessible within 1h30 by NUTS 2 region in 2023.

([436]) 5G coverage: 99.5%, fixed very-high capacity network (VHCN) coverage: 81.7%, DESI 2025.

([437]) https://www.traficom.fi/.

([438]) https://tieto.traficom.fi; https://www.traficom.fi.

Table A18.2:**Key regional indicators (at NUTS 2 level) for Finland**

| | GDP per head (PPS, index) | Real GDP growth | Real GDP per head growth | Population aged 20-64 | Change in working age population (20-64) | Population aged 25-34 with high educational attainment | Unemployment rate | R&D expenditure | R&D expenditure in business enterprise sector (BERD) |
|---|---|---|---|---|---|---|---|---|---|
| | EU27=100 | Average annual % change | Average annual % change | % of total population | Average annual % change | % of population aged 25-34 | % of labour force | % of GDP | % of GDP |
| | 2024 | 2014-2024 | 2014-2024 | 2025 | 2016-2025 | 2025 | 2025 | 2023 | 2023 |
| EU | 100 | 1,6 | 1,4 | 58,3 | -2,6 | 44,8 | 6,0 | 2,24 | 1,51 |
| Finland | 102 | 0,9 | 0,6 | 56,2 | 0,0 | 38,2 | 9,7 | 3,22 | 2,09 |
| Länsi-Suomi | 93 | 0,9 | 0,7 | 55,0 | -1,1 | 36,0 | 9,2 | 2,96 | 2,11 |
| Helsinki-Uusimaa | 128 | 1,1 | 0,1 | 60,5 | 9,2 | 43,4 | 10,6 | 3,88 | 2,75 |
| Etelä-Suomi | 89 | 0,4 | 0,5 | 54,4 | -4,7 | 34,8 | 9,6 | 1,91 | 1,05 |
| Pohjois- ja Itä-Suom | 89 | 0,9 | 1,1 | 53,0 | -8,2 | 34,5 | 9,0 | 2,78 | 1,74 |
| Åland | 111 | -0,3 | -0,9 | 54,2 | -0,4 | | | 0,53 | 0,46 |

Dark green - the indicator is 120% or more of the EU average.
Light green - the indicator is 100% or more, but less than 120% of the EU average.
Yellow - the indicator is 90% or more, but less than 100% of the EU average.
Light red – the indicator is 75% or more, but less than 90% of the EU average.
Dark red – the indicator is below 75% of the EU average.
This colour scale applies to 'positive' indicators, where higher values are favourable.
For 'negative' indicators (where higher values are unfavourable), the colours are reversed.
***Source:*** Eurostat and JRC

**aggression in Ukraine and Finland's decision to join NATO.** A vital component of military security is a robust, viable, and internationally competitive domestic defence industry. To this end, the industry must be helped to both: (i) develop and integrate new dual-use technologies and solutions; and (ii) increase production capacity across the country. Although defence industry companies are spread across the country, they are concentrated in the capital region, Tampere, and Oulu. Significant investment will be needed to upgrade the infrastructure on the country's military mobility corridors and networks ([439]). Upgraded dual-use infrastructure will also support local businesses and improve access for local residents.

**Territorial just transition plans in 14 NUTS 3 regions in Finland focus on broader climate action and reductions in greenhouse-gas emissions, with additional measures focused on halting biodiversity loss, preventing the degradation of water systems, and mitigating climate change through environmental restoration efforts.** Northern peatlands are especially vulnerable to climate change. In northern Finland (notably in Lappi, Kainuu and Pohjois-Pohjanmaa), peatlands are a dominant landscape feature. In Keski-Suomi the water economy of peatlands has already deteriorated, and the general situation is bad. In many areas of Finland, forestry plays a significant role in the regional economy. Climate change poses significant challenges to the forest economies of Kainuu, Pohjois-Karjala and Etelä-Savo, Lappi, Pohjois-Pohjanmaa, Keski-Suomi and Pohjois-Savo (see Annex 10).

**'Blue economy' activities in Finland's coastal regions face environmental and coordination challenges.** Across all coastal regions, the ecological fragility of the Baltic Sea is placing limits on fisheries, aquaculture, tourism and port expansion, making it essential to address environmental concerns for long-term economic resilience and regional development([440]). In Ostrobothnia and the Gulf of Bothnia, traditional

([439])Government Defence Report 2024.

([440])https://helcom.fi/wp-content/uploads/2023/06/HELCOM-Thematic-assessment-of-eutrophication-2016-2021.pdf .

maritime industries and fisheries must increasingly coexist with large-scale offshore wind development, creating spatial planning and investment coordination challenges that have implications for regional growth and employment. Environmental degradation, lengthy processes for permit granting, and a lack of skilled labour constrain the development of the sustainable competitive aquaculture sector, both at sea and inland([441]).

([441])https://aquaculture.ec.europa.eu/country-information/finland.

This Transport Annex presents the state of play and the challenges Finland is facing with the implementation of the trans-European transport network (TEN-T), the European railway traffic management system (ERTMS) and the roll-out of sustainable aviation fuels (SAF).

**Finland is connected to the trans-European transport network primarily through the North Sea – Baltic European transport corridor, the Scandinavian – Mediterranean corridor and the Baltic Sea – Black Sea – Aegean Sea corridor.** Finland's railway network is built on the Finnish railway gauge (1 524 mm). The TEN-T in Finland comprises 3 813 km of rail (1 148 of which are on the core network) and 5 896 km of road (1 173 of which on the core network). Finland has 595 km of inland waterways on the TEN-T, 20 airports (including two core airport), 19 ports (including six core ports) and seven urban nodes ([442]).

**The priority projects include the West Railway, the Helsinki-Tampere line and the East Railway, which all aim to increase speed and capacity through upgrades and new construction.** These rail investments strengthen TEN-T core connectivity at the EU's north-eastern edge: improving passenger and freight reliability between Finland's main urban and port nodes and the wider corridor system, supporting smoother flows into the Baltic Sea region through the maritime network and onward to Central Europe, helping the EU meet its goals for a more integrated, resilient, and sustainable transport network.

**The ERTMS is essential to digitalising the railways and to modernising and harmonising railway operations across Europe.** The ERTMS ensures the safety of rail networks by providing a unified signalling system that significantly reduces the risk of accidents. It also provides interoperability between national rail systems, improving cross-border train movements. Finally, the ERTMS enhances network capacity and operational efficiency, increasing the competitiveness of the rail sector. Harmonising technical and operational rules with the minimisation of national rules in line with the EU directives on rail interoperability and safety remains also critical.

**In Finland, the ERTMS was not yet in operation by the end of 2024** ([443]). To meet its national plan's ERTMS roll-out target by 2035, Finland aims to deploy ERTMS along a length of 1 480 km. Decommissioning the legacy signalling system remains a priority.

**The administrative organisation at national level, with the Ministry of Transport and Communications, supported by the two national agencies, the Finnish Transport Infrastructure Agency (FTIA), and the Finnish Transport and Communications Agency (Traficom), leads in general to an efficient and effective implementation of transport infrastructure projects in Finland.** In February 2026, the government presented an amendment to the Public Procurement Law. The full impact on major infrastructure projects remains to be seen, as its effects will only become visible over a longer period of implementation. Finland does not yet have a roadmap for the transition to the European standard railway gauge, with priority given to cross-border sections, for instance in northern Finland at the border with Sweden. However, planning has been initiated for a standard gauge railway connection between Tornio (Tornio-Haparanda border crossing) and Kemi.

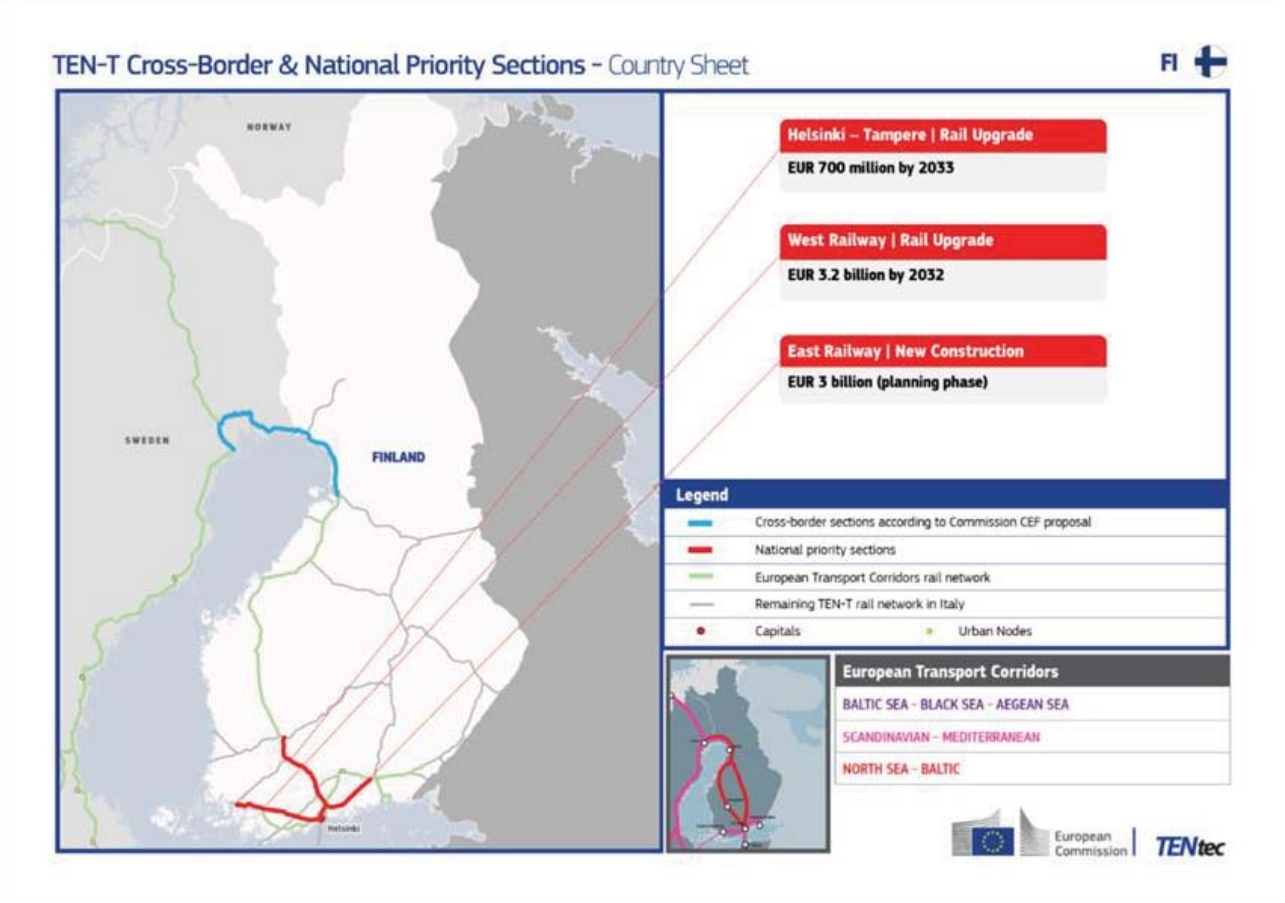
**Finland has a strong industrial base for sustainable aviation fuel (SAF) production and offtake**. It focuses both on existing bioSAF (biological origin) facilities as well as emerging eSAF projects (hydrogen based), but these projects have failed to reach final investment decision. Targeted investment support is needed to kick start commercial-scale eSAF deployment and ramp-up of bioSAF in Finland. Making use of pilot investment structures (such as double-sided auctions) through the EU's e-SAF Early Movers Coalition could help secure and de-risk Finland's projects.

([442])TENtec Information System, according to Reg. 2024/1679.

([443])Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

Table A19.1:**ERTMS deployment in Finland.**

| ERTMS in Finland | | | | |
|---|---|---|---|---|
| TEN-T rail network | ERTMS (trackside) in operation | | | Min. estimated cost of additional deployment until 2035 |
| | year | length | % of total TEN-T | |
| 3 813 km | end 2024 | 0 km | 0 % | |
| | by 2035 | 1 480 km | 35 % | EUR 355 million |

***Source:*** Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

Map A19.1: **TEN-T Cross-Border & National Priority Sections in Finland.**