

FINLAND

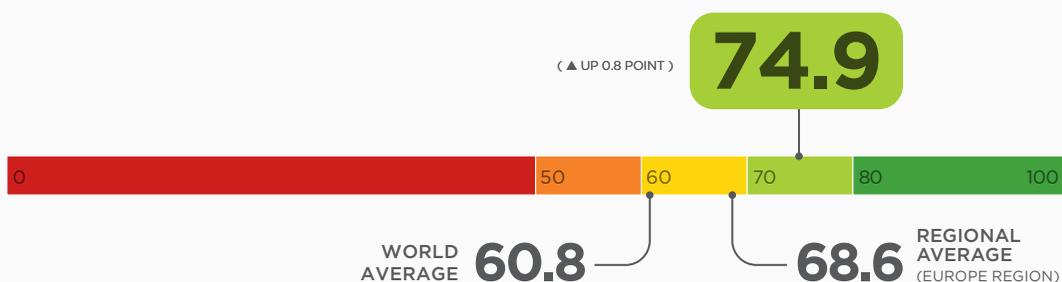


WORLD RANK:	REGIONAL RANK:
20	11
ECONOMIC FREEDOM STATUS: MOSTLY FREE	

Finland's economic freedom score is 74.9, making its economy the 20th freest in the 2019 *Index*. Its overall score has increased by 0.8 point, with higher scores for **fiscal health** and **government spending** outpacing small declines in **judicial effectiveness** and **monetary freedom**. Finland is ranked 11th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

The government must maintain fiscal sustainability as public finances come under increasing pressure from a rapidly aging population, reduce high labor costs, boost productivity in traditional industries, and increase demand for exports. The quality of the legal framework is among the world's highest, providing effective protection of property rights. The rule of law is well maintained, and a strong tradition of minimum tolerance for corruption continues. Absent extraordinarily high levels of government spending, Finland would likely rank among the world's 10 freest economies.

ECONOMIC FREEDOM SCORE



RELATIVE STRENGTHS:
Government Integrity and Property Rights

HISTORICAL INDEX SCORE CHANGE (SINCE 1996):
+11.2

CONCERNS:
Government Spending and Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
5.5 million

GDP (PPP):
\$244.0 billion
3.0% growth in 2017
5-year compound annual growth 0.8%
\$44,333 per capita

UNEMPLOYMENT:
8.6%

INFLATION (CPI):
0.8%

FDI INFLOW:
\$1.3 billion

PUBLIC DEBT:
61.4% of GDP

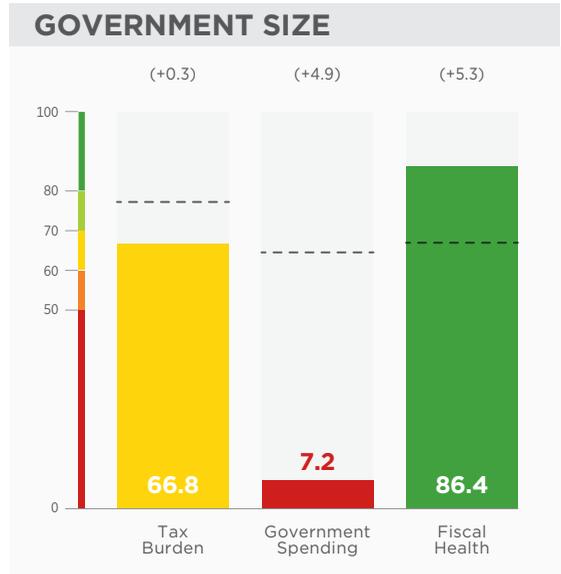
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Formerly part of Sweden and later the Russian Empire, Finland gained independence in 1917, joined the European Union in 1995, and adopted the euro in 1999. Prime Minister Juha Sipilä of the Center Party formed a coalition in 2017 with the center-right National Coalition Party and the newly formed and conservative Blue Reform party. President Sauli Niinistö of the National Coalition Party won a second term in 2018. The export-led economy is centered on manufacturing, principally in the wood, metals, telecommunications, and electronics industries, and has enjoyed steady growth. Heavily dependent on Russian energy, Finland cut tariffs on Russian electricity imports in June 2018 and has approved construction of the controversial Nord Stream II pipeline inside its exclusive economic zone.

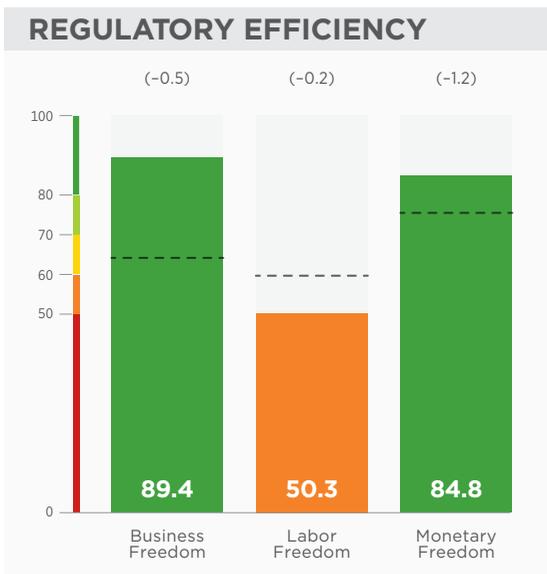
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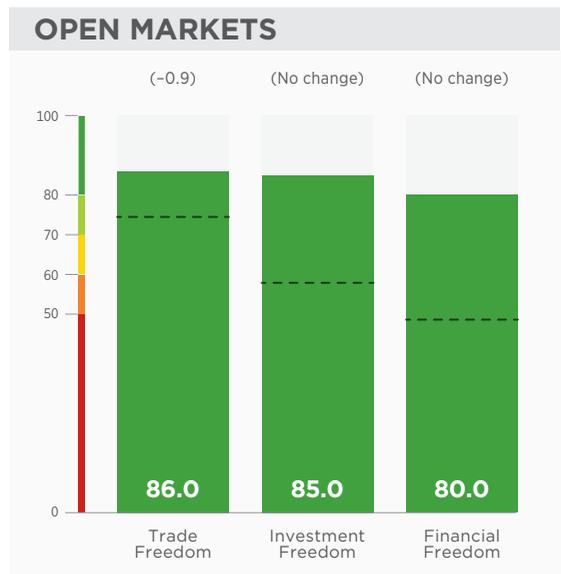
Finland maintains one of the world's strongest property rights protection regimes and adheres to many international agreements that aim to protect intellectual property. Contractual agreements are strictly honored. The quality of the judiciary is generally high. Corruption is not a significant problem in Finland, which was ranked 3rd out of 180 countries surveyed in Transparency International's 2017 *Corruption Perceptions Index*.



The top personal income tax rate is 31.25 percent, and the top corporate tax rate is 20 percent. Other taxes include value-added and capital income taxes. The overall tax burden equals 44.1 percent of total domestic income. Over the past three years, government spending has amounted to 55.6 percent of the country's output (GDP), and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 61.4 percent of GDP.



Finland's efficient business framework facilitates robust innovation and growth in productivity. In 2017, Finland increased the maximum length of the probationary period for permanent employees. The government also recently took some actions aimed at making unemployment less attractive. The EU has increased subsidies to Finland while the government considers reforms in its green-energy subsidy program.



The combined value of exports and imports is equal to 76.7 percent of GDP. Finland implements a number of EU-directed non-tariff trade barriers including technical and product-specific regulations, subsidies, and quotas. The average applied tariff rate is 2.0 percent. Finland welcomes foreign investment. The financial sector, with sound regulations, provides a wide range of services.