

# FINLAND

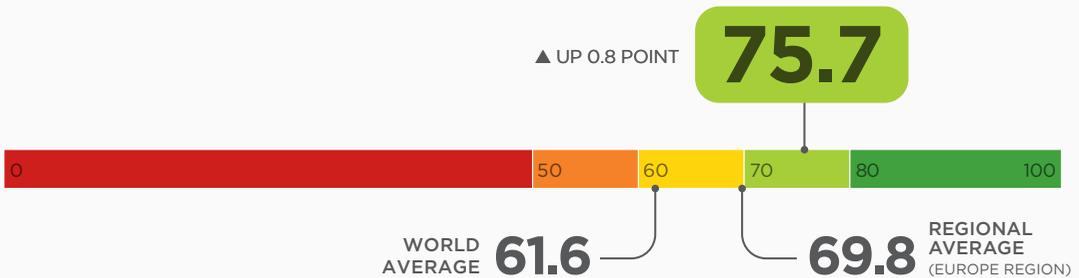
Finland's economic freedom score is 75.7, making its economy the 20th freest in the 2020 *Index*. Its overall score has increased by 0.8 point, helped by a higher score for **fiscal health**. Finland is ranked 11th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Finnish economy has benefited from gradually rising economic freedom over the life of the *Index*. GDP growth has been positive but modest.

For Finland to move higher in the mostly free ranks, the government would have to make significant cuts in spending, reform the labor code to make it more market friendly, and reduce taxes. The new center-left government, however, has announced a program of higher spending on education, health care, and welfare services along with an increase in infrastructure development.

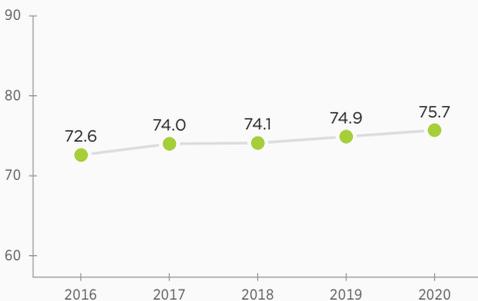
WORLD RANK: **20** | REGIONAL RANK: **11**  
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +12.0

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
5.5 million

**GDP (PPP):**  
\$256.5 billion  
2.4% growth in 2018  
5-year compound annual growth 1.4%  
\$46,430 per capita

**UNEMPLOYMENT:**  
7.8%

**INFLATION (CPI):**  
1.2%

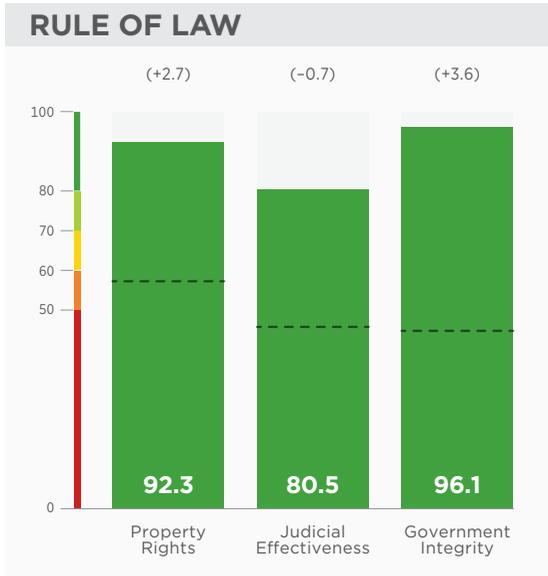
**FDI INFLOW:**  
\$1.2 billion

**PUBLIC DEBT:**  
60.5% of GDP

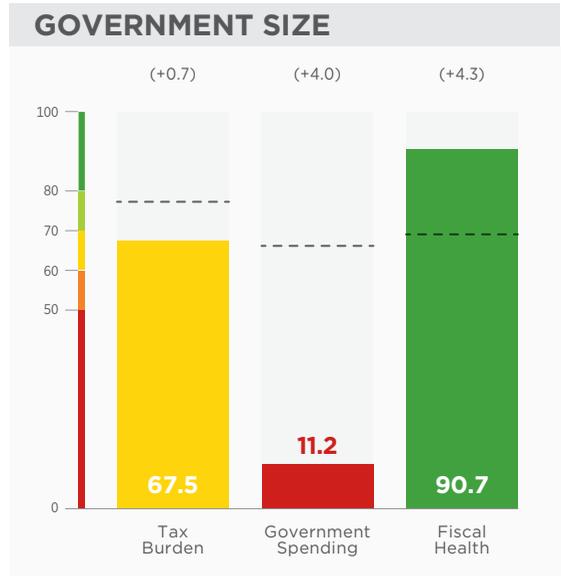
2018 data unless otherwise noted. Data compiled as of September 2019

**BACKGROUND:** Formerly part of Sweden and later of the Russian Empire, Finland gained independence in 1917, joined the European Union in 1995, and adopted the euro in 1999. Failure to pass health care reform precipitated the collapse of former Prime Minister Juha Sipilä's center-right government, and after April 2019 elections produced a highly fragmented parliament, Antti Rinne of the Social Democratic Party of Finland (SDP) became prime minister after forming a center-left coalition with the Centre Party, the Left Alliance, and the Green League. 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.

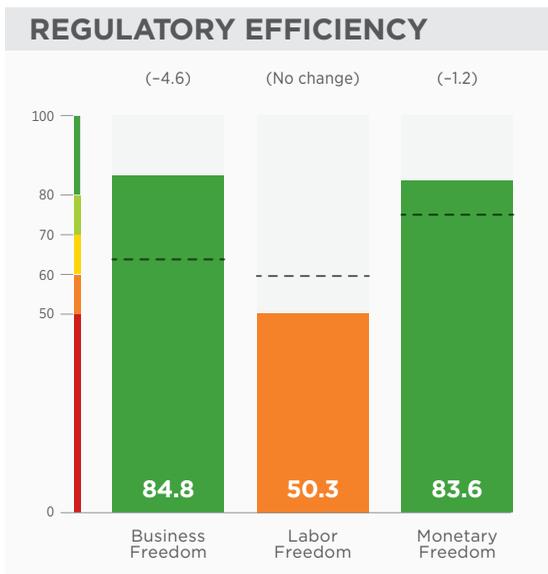
# 12 ECONOMIC FREEDOMS | FINLAND



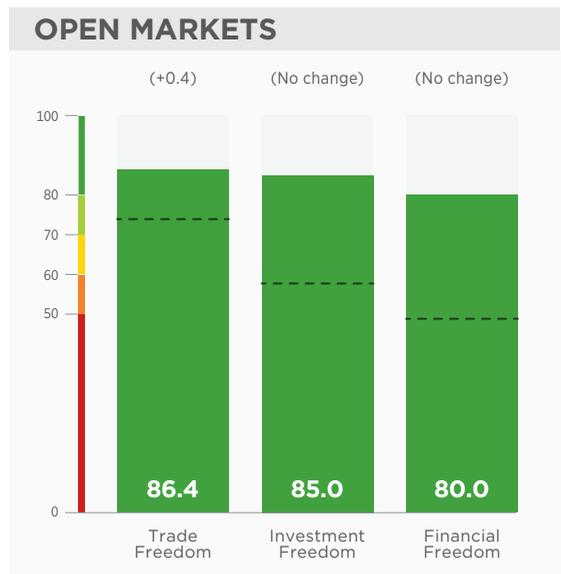
Finland maintains one of the world's strongest regimes for the protection of property rights and ranked first among 125 countries in the 2018 *International Property Rights Index*. Contractual agreements are strictly honored. The quality of the judiciary is generally high. Corruption is not a significant problem in Finland, which was ranked 3rd out of 180 countries surveyed in Transparency International's 2018 *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 43.3 percent of total domestic income. Government spending has amounted to 54.4 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 1.1 percent of GDP. Public debt is equivalent to 60.5 percent of GDP.



Structural reforms may be needed to boost productivity. A reduction in the labor contribution tax rate has eased the cost of running a business. Social protection and unemployment benefits have been reformed to encourage work, but Finland is considering the idea of a universal basic income. The rising cost of subsidies for a rapidly aging population has increased political support for the streamlining of health care services.



The total value of exports and imports of goods and services equals 78.5 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Finland has an additional nine country-specific nontariff barriers. In general, government policies do not interfere significantly with foreign investment. The competitive financial sector provides a wide range of services.