



Decide with Confidence

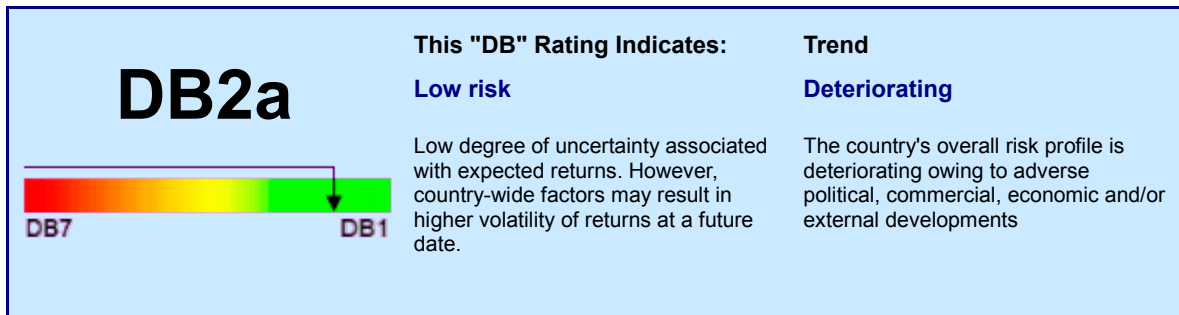
## D&B Country RiskLine Report

# FINLAND

Region : Western Europe

Edition : December 2013

### D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

*Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

*Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

*External risk* - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

*Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

<b>Population:</b>	5.4m
<b>Surface area (sq km):</b>	338,150
<b>Capital:</b>	Helsinki
<b>Timezone:</b>	GMT +02:00
<b>Official languages:</b>	Finnish and Swedish
<b>Head of government:</b>	Jyrki KATAINEN (Prime Minister)
<b>GDP (USD):</b>	247.5bn
<b>GDP per capita (USD):</b>	45,762
<b>Life expectancy (years):</b>	79
<b>Literacy (% of adult pop.):</b>	99.9

### Country Overview:

Finland is a Nordic country bordering Sweden, Russia, Norway and Estonia (which lies to its south across the Gulf of Finland). With the lowest population density in Western Europe, the majority of Finnish inhabitants are concentrated in the southern part of the country. A member of the EU, Finland was one of the most prominent supporters of the EU enlargement for the Eastern European states; but it also maintains strong relations with Russia.

Global economic crisis has hit quite badly Finland's export-oriented economy; however the country's greater reliance on IT sector, which has started to overtake traditional resource-based industries such as metals, pulp and paper, will help faster recovery. Nokia, the largest producer of mobile phones in the world, accounts for around of 3% of the Finnish economy.

The political environment in Finland is very stable, with a consensus-based orientation. Trade unions are more influential than their counterparts in other industrialised countries; however they do not pose a significant risk to doing business in Finland.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	OA
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

<b>Recommended Terms:</b>	OA
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

<b>Usual Terms:</b>	30 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	0-1 month
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

<b>FX/Bank Delays:</b>	0-1 month
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

### Trade & Commercial Environment

A new report by the World Bank ranks Finland 12th in the world in terms of the ease of doing business, third in the EU behind only Denmark and the UK. The country is placed amongst the top ten in the world against criteria such as trading across borders, enforcing contracts and resolving insolvency, and scores very respectably against measures such as paying taxes, registering property and getting electricity. In this context, the few obstacles to doing business in Finland are the comparatively high capital requirement needed to start a business (equal to EUR3,750 or around 7% of the average Finnish income), as well as the relative lack of protection for investors given the limited liability that directors face and the limits on the extent of disclosure.

### Export Credit Agencies

US Eximbank	Full cover available
Atradius	Full cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

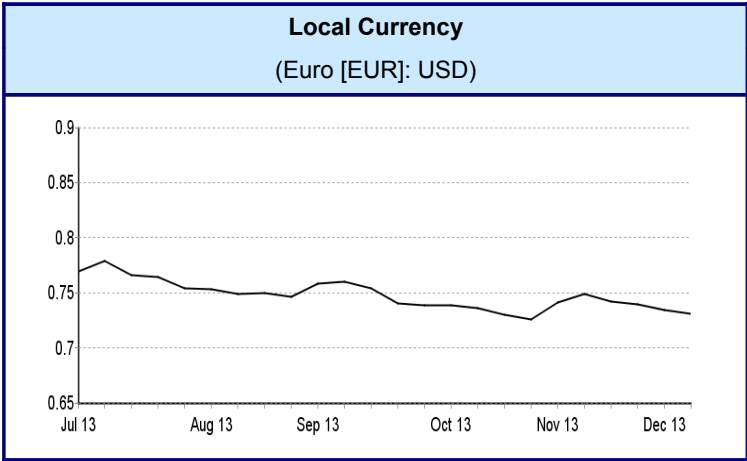
### Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	3.4	2.7	-0.8	0.9	0.9
Inflation, annual ave, %	1.7	3.3	3.2	1.2	1.4
Govt balance, % GDP	-2.5	-0.7	-1.8	-2.3	-1.5
Unemployment, %	8.4	7.8	7.7	7.6	7.3
C/A balance, % GDP	1.5	-0.7	-1.9	-2.0	-2.1

Inflation and unemployment are based on EU-harmonised data.

### Currency Information

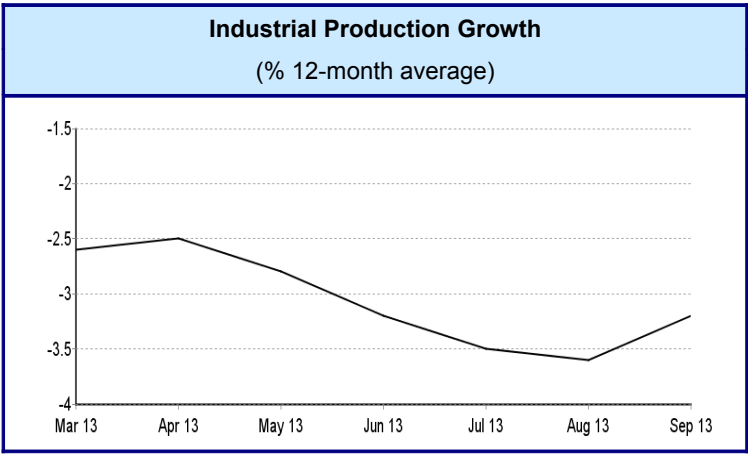
Exchange Rates	
(London, 02 Dec 13)	
GBP	1.2031
JPY*	0.7175
USD	0.7345
*(x 100)	



**Local Currency**  
(Euro [EUR]: USD)

	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13
<b>Week 1</b>	0.769	0.753	0.758	0.738	0.741	0.734
<b>Week 2</b>	0.779	0.749	0.760	0.736	0.749	0.731
<b>Week 3</b>	0.766	0.750	0.754	0.730	0.742	
<b>Week 4</b>	0.764	0.746	0.740	0.725	0.739	
<b>Week 5</b>	0.754		0.738			

**Industrial Production Growth**



**Data Table**

Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sep 13
-2.6	-2.5	-2.8	-3.2	-3.5	-3.6	-3.2

## Risk Factor

Finland's public debt is on course to reach 62.5% of GDP in 2015, exceeding the Maastricht threshold of 60.0%. This poses a growing risk of rising interest rates on government borrowing and of fines from the European Commission (EC). The immediate cause of the mounting debt is the downturn in revenues and the various tax cuts that the government is implementing in order to stimulate the economy. Various structural obstacles to growth persist, such as an ageing population, under-employment and an over-reliance on declining sectors (including paper). The seriousness of the problem was highlighted by the Minister of Economic Affairs, who warned in October that Finland was closer to a downgrade than ever before. The EC also expressed concern at a recent meeting of finance ministers. The best chance of a reversal of the current trend is a return to more vigorous growth, which would reduce the size of public debt in relation to GDP, as well as the implementation of the government's planned package of reforms, which would ease pressure on government spending. At present, the markets retain their faith that both of these developments will come to pass and the major credit ratings agencies confirmed Finland's AAA rating in October. Until the turnaround begins, however, sovereign risk will rise and a prevarication by the government or further stagnation of the economy will make any solution to the debt problem harder to deal with in the longer term.

Meanwhile, Finland is experiencing a sharp downturn in prices, in common with much of the euro zone: the CPI recorded inflation of 1.2% in October but other measures of inflation put the figure as low as 1.0%. The main reason for declining inflation is weak domestic demand and lower commodity prices. However, other factors are set to exacerbate the problem, not least the fiscal restraint necessitated by growth in the public debt, as well as the rock-bottom pay increase of just 0.4% agreed between unions and employers in 2014, which will underpin a low rise in producer prices. (In one respect, of course, this is positive by insuring business against high wage demands.)

As inflation recedes, the risk is mounting of a descent into deflation. This could have serious consequences for growth by encouraging firms and households to defer spending in expectation of cheaper prices in the future; and by increasing the relative burden of debt, which would significantly affect the many households with large mortgages, further depressing consumption. Fortunately, the ECB has responded pro-actively, reducing the base rate in November to a record low of 0.25%; this may arrest the decline in prices. However, the impact of this move may not be felt for several months and investors should monitor inflation trends given the potentially serious consequences that deflation might have on the wider domestic economy.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

#### Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

#### Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

#### Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

#### F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

#### C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

## GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

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Email: [CustomerHelp@dnb.com](mailto:CustomerHelp@dnb.com)

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