



Finland



Current Rank: 7 (Previous Rank: 18; Δ +11)

The Euro € (EUR)

May 2013

[Return to the Table of Contents](#)

Finland's outlook is improving due to the overall recovery in the EU and the country's pending corporate tax cut. Unemployment, which was 8.2% as of April appears to be continuing its stair-step climb, since its low of 7.5% in January 2012. GDP contracted in 2012 by 1.9%. Finland's deficit was 1.9% of GDP as of Q4 2012. Of course, the dour numbers are the result of the slowdown in European growth.

We expect a healthier outlook ahead, at the margin. Given that more than one-third of Finland's stock exchange is composed of financials, we believe the shift away from austerity in Europe (and progress toward a banking union) will prove beneficial for the Finnish equity market. Of course, the end of the bull market in gold and the deflationary impact this may have on the commodity space may drag on Finland's paper and pulp industry (8% of Finland's equity market), but this is likely not enough to overwhelm the positives.

Monetary policy is positive (see Germany for ECB Outlook). Additionally, tax policy appears to be a net positive. Beginning in 2014, Finland's corporate tax rate will fall to 20% from 24.5% today, which will make it the lowest rate among Nordic countries.

Finland ranked 18th out of the 45 stock markets in our December MSCI rankings. Finland moves into the top nine of our rankings given the improving fiscal discussion in Europe in general and the positive shift on tax policy in Finland in particular. ■

| 2012 Tax Rates | |
|-------------------------------|---------------------------------------------------------------------|
| Corporate | —24.5% |
| Corp Capital Gains | —24.5% |
| Personal Income | —Top marginal rate 29.75% on income more than EUR 70,000 (\$92,540) |
| Personal Capital Gains | —30% EUR less 50,000, 32% EUR more 50,000 (\$66,000) |
| Estate Tax | —Up to 32% |
| VAT/GST | —23% standard, reduced rates 13%, 9%,0% |

| Key Stats (last available) | |
|-----------------------------------------------------------|-------------------------------------------------|
| GDP Change | |
| Q4 | BWR Q3 Projection |
| -1.40% | 0.20% |
| Unemployment | |
| April/2013 | BWR Projection for August |
| 8.20% | 7.80% |
| Annualized CPI | |
| April/2013 | BWR Projection for August |
| 1.50% | 1.50% |
| Key Benchmark Rate | |
| 0.50% | last change, 25 basis point reduction 5/2/2013 |
| 10 Year Yield | |
| 1.76% | |
| Forex: EURO € (EUR) | |
| 5.19% | (appreciation) versus USD during last 12 months |
| Credit Default Probability During the Next 5 years | |
| 2.45% | |
| Government surplus/deficit as a % of GDP Change | |
| -1.90% | 12/31/2012 |
| GDP Change Total in US Dollars (Bln) | |
| \$263 | 2011 |

