VALDIS DOMBROVSKIS
Vice-President of the European Commission

PIERRE MOSCOVICI
Member of the European Commission

Brussels, 09/03/2016
Ares(2016)

Dear Minister,

The general government gross debt-to-GDP ratio in Finland, according to the Commission 2016 Winter Forecast, is projected to have breached the 60% of GDP reference value as of 2015 and to continue on an upward path over the forecast horizon. Moreover, according to the Commission 2016 Winter Forecast, Finland's general government deficit is expected to have been above the 3% of GDP reference value in 2015.

On this basis, there is a *prima facie* risk that both the deficit and the debt criteria in the sense of the Treaty and Council Regulation (EC) No 1467/97 of 7 July 1997 are not fulfilled. If the budgetary data for 2015 as validated by Eurostat in April confirm the breach of the deficit and the debt criteria in 2015, the Commission will have to produce a report in accordance with Article 126(3) of the Treaty.

According to Council Regulation (EC) No 1467/97 of 7 July 1997, when preparing such a report, the Commission shall take into account all relevant factors in so far as they affect the assessment of compliance with the deficit and debt criteria by the Member State concerned. These include the adherence to the recommended adjustment path towards the country-specific medium-term budgetary objective (MTO) and the implementation of ambitious growth-enhancing structural reforms which are both expected to contribute, in the medium term, to a debt ratio that is approaching the 60% of GDP reference value at a satisfactory pace.

The Commission 2016 Winter Forecast, following an overall assessment, points to a risk of some deviation from the recommended adjustment path towards the MTO in both 2015 and 2016.

Finland has made some progress in addressing the 2015 Country-specific Recommendations adopted by the Council on 14 July 2015. Nevertheless, as indicated in the 2016 Country Report, challenges remain in the areas of aligning wage and productivity growth, advancing the reform in the healthcare system and social services, providing further incentives for low-skilled individuals to seek employment, lengthening the working careers and opening up competition in the non-tradable sector. There is thus scope for further progress in the implementation of ambitious structural reforms in order to lift the medium-term growth potential.

Against this background it will be important for Finland to ensure compliance with the recommended adjustment path towards the MTO and to make further progress with the implementation of structural reforms.

The Commission will reassess Finland's compliance with its obligations under the Stability and Growth Pact on the basis of the Commission 2016 Spring Forecast, including the budgetary data for 2015 as validated by Eurostat in April and Finland's forthcoming Stability Programme if available by mid-April. Progress with the implementation of structural reforms will be assessed on the basis of the 2016 Country Report as well as subsequent developments as contained in the National Reform Programme.

In the meantime, the Commission stands ready to support Finland in achieving sustained economic growth and ensuring sound public finances.

Yours sincerely,

Valdis Dombrovskis

Pierre Moscovici

Mr Alexander STUBB
Minister of Finance
Ministry of Finance
Snellmaninkatu 1, Helsinki
PO Box 28
FI-00023 Government