



Kirje

30.4.2025

 VN/12837/2025
 VN/12837/2025-VM-2

To
 Mr Andrzej Domański,
 President (ECOFIN),
 Council of the European Union.

Mr Valdis Dombrowskis,
 Commissioner for Economy and Productivity; Implementation and Simplification,
 European Commission

Cc
 Mr Tuomas Saarenheimo, President,
 Economic and Financial Committee.
 Mr Maarten Verwey, Director-General for Economic and Financial Affairs,
 European Commission.

Request for the activation of the national escape clause for the period 2025 to 2028

Dear Sirs,

On 6 March 2025, the European Council welcomed the intention of the European Commission to recommend to the Council the activation, in a coordinated manner, of the national escape clause under the Stability and Growth Pact to accommodate higher defence spending. The Commission Communication (C(2025)2000 final) of 19 March 2025 proposes a framework for the application of this flexibility under the EU fiscal framework.

Finland hereby requests the activation of the national escape clause for the period 2025 to 2028. This request is in accordance with Article 26 (1) of Regulation (EU) 2024/1263 and considering the Commission Communication mentioned above.

Article 26(1) of Regulation (EU) 2024/1263 establishes that the national escape clause can be activated if three conditions are met: (i) there are exceptional circumstances outside the control of the Member State, (ii) those circumstances have a major impact on the public finances of the Member State concerned, and (iii) the deviation from the net expenditure path as set by the Council does not endanger fiscal sustainability over the medium term:

1. As acknowledged by the European Council, the urgency for the EU Members States to significantly increase their defence spending results from the repercussions that Russia's continued war of aggression against Ukraine has for European and global security in a changing environment. This situation constitutes exceptional circumstances outside the control of each Member State.

2. The Government of Finland considers that these exceptional circumstances require a significant build-up of defence capabilities with a major impact on Finnish public finances. This has been evident since the beginning of Russia's war of aggression against Ukraine in

Postiosoite
Postadress
Postal Address
 Valtiovarainministeriö

Käyntiosoite
Besöksadress
Office

Puhelin
Telefon
Telephone

Faksi
Fax
Fax

s-posti, internet
e-post, internet
e-mail, internet

PL 28
 00023 Valtioneuvosto

Snellmaninkatu 1 A
 Helsinki

0295 16001
 +358 295 16001

kirjaamo.vm@gov.fi

2022 due to the 1340 km border between Finland and Russia, and significant investments have been made to defence capabilities as well as border security since then and before.

Russia's war of aggression against Ukraine has caused a significant change in the security environment in Finland. The change in the security environment has wide-ranging negative impacts on the Finnish economy and a negative impact on business and consumer confidence. Economic growth was clearly negative in 2023 and 2024.

The effects on public finances have also been significant, besides increased defence expenditure Finland's economic development since 2022 diverges significantly from that of the euro area. For example, investments are down, reflecting housing market weakness, cautious business sentiment and reduced capital spending with the dramatic reduction in residential investments being the largest contributor to the economic underperformance. Unemployment has also worsened much more than in the rest of the euro area.

According to the available statistics published by Eurostat and Statistics Finland, general government total defence expenditure (government expenditure by function (COFOG division 02)) in Finland amounted to 1.2% of GDP in 2021, 1.2% in 2022 and 1.4% in 2023. Defence spending is estimated to be 1.6% of GDP in 2024 by Statistics Finland and 2.3% of GDP in 2025 according to the Ministry of Finance Economics Department's independent forecast.

3. An increase in defence capabilities will lead to higher net expenditure than the path endorsed by the Council for Finland on 21 January 2025.

The Government has announced an increase in Finland's defence expenditure to 3% of GDP by 2029. According to the most recent NATO-estimates, the level of defence expenditure as a percentage of real GDP has risen from 1,4 % of GDP in 2021 to about 2,3 % of GDP in 2024.

Already in Finland's Medium-Term Plan, significant increases in defence expenditure for the coming years, especially for the years 2025 and 2027, were reflected in the net expenditure path. The most significant defence investments are related to the F35 acquisitions. These defence investments will amount to 0.6% of GDP in 2025.

The national escape clause enables Finland to fulfil its commitment to net expenditure path as presented in its Medium-Term Plan.

The Government of Finland acknowledges that, apart from the leeway for defence expenditure, the EU fiscal rules will continue to operate normally and deviations from the endorsed net expenditure paths other than those specified under the national escape clause will be recorded in the control account (Article 22 of Regulation (EU) 2024/1263) throughout the period of activation of the national escape clause.

Looking ahead, structurally higher defence expenditure in the EU Member States may require policies to preserve fiscal sustainability and compliance with the fiscal rules.

Yours sincerely,

Minister of Finance

Riikka Purra

Liitteet -

Jakelu

Tiedoksi

VN/12837/2025-VM-2

Seuraavat henkilöt ovat allekirjoittaneet tämän asiakirjan sähköisesti /

Följande personer har undertecknat denna handling elektroniskt /

This document has been signed electronically by the following persons: