

2 The inter-parliamentary target for public finances 2027–2033 and a preliminary government-term target set for 2031

The Parliamentary Working Group on Fiscal Policy has agreed that the medium-term plan to be submitted to the EU will include an application to extend the adjustment period from four years to seven years.

The Parliamentary Working Group on Fiscal Policy has agreed that the inter-parliamentary target for 2027–2033 will be an average of about -3 per cent of the combined nominal budgetary position of central and local government in relation to GDP.

The target for the government term set for 2031 will be reviewed in December 2026. The preliminary target for the government term being set now for 2031 is -2 to -2.5 per cent of the combined nominal budgetary position of central and local government in relation to GDP.

These targets are consistent with the Ministry of Finance's current calculations of the impact of compliance with the EU's fiscal rules in the next parliamentary term. These calculations are based on the Ministry of Finance's winter 2025 forecast and are subject to the uncertainties relating to it. The calculations will be updated several times before 2027.

The working group considers it justified to channel the revenues due to any stronger than expected economic growth primarily towards a more rapid reduction of the debt ratio. It also considers it justified for the Government to launch extensive preparations to support long-term decision-making in fiscal policy. General government finances should be strengthened in stages and measures should be targeted following careful preparation in order to minimise negative impacts on economic growth and sustainable social development.

In accordance with section 3 of the Act on a National Framework for Fiscal Policy, targets for the combined nominal budgetary position of central and local government are set to guide national fiscal policy. The budgetary position targets must meet the requirements set in the aforementioned act and in EU legislation, which will be discussed in more detail in Chapter 3. The targets must be based on the Ministry of Finance's independent macroeconomic forecast. In accordance with the Parliamentary Pact for Fiscal Policy¹, the budgetary position targets provided for in section 3 of the aforementioned act are prepared by the Parliamentary Working Group on Fiscal Policy.

¹ <https://www.eduskunta.fi/FI/tiedotteet/Documents/Parlamentaarinen%20sopimus%20julkisen%20talouden%20hoitamisesta%2014102025.pdf>

The eight-year target for the inter-parliamentary period is set by the midpoint of the government term as an average budgetary position for the next eight years. The target for the inter-parliamentary period ensures that targets are set for the long term, as targets are committed to across government terms. The target for the inter-parliamentary period also helps avoid instability and discontinuities in target-setting.

Under the Parliamentary Pact for Fiscal Policy, the first target for the inter-parliamentary period will exceptionally be set for 2027–2033 rather than for eight years. In accordance with the decision appointing the Parliamentary Working Group on Fiscal Policy, the target for the inter-parliamentary period extending to 2033 will be set by the working group by the end of February 2026 and will be formally set in the first General Government Fiscal Plan of the 2027 government term. In this case, the target for the inter-parliamentary period may be set as an approximate figure, because there is a considerable amount of time before the target is formally set in the General Government Fiscal Plan in autumn 2027. Furthermore, under the transitional provisions, the target for the government term need not be harmonised with the target for the inter-parliamentary period. The Parliamentary Working Group on Fiscal Policy will update the target for the inter-parliamentary period midway through the next government term in the spring of 2029. The updated target will be formally set in the General Government Fiscal Plan of that spring.

The four-year target for the government term is set at the beginning of the term for the final year of the term. In accordance with the decision appointing the Parliamentary Working Group on Fiscal Policy, the target for the budgetary position of the government term to be set for 2031 will be set by the working group by the end of February 2026. It will be updated in December 2026 when the reference path² based on the European Commission's autumn 2026 economic forecast is available. The target will be formally set in the first General Government Fiscal Plan of the 2027 parliamentary term.

The Act on a National Framework for Fiscal Policy includes an 'early-warning provision' that enters into force in 2031. In accordance with this provision, the budgetary position of general government finances for the current or following year must be better than -2.5 per cent of GDP. Both the Government and the Finnish Economic Policy Council will take the early-warning provision into account in their assessments starting in 2031. The target for the government term that has been decided now, which is -2.0 to -2.5 per cent, will lead to a general government deficit that is better than -2.5 per cent. This being the case, the Government that takes office in 2031 will not have to immediately take action to rectify the stability and sustainability of general government finances.

Each Government will decide on measures to achieve the budgetary position target for the government term and to comply with the EU's fiscal rules. According to the Parliamentary Pact for Fiscal Policy, decisions must be based on the Ministry of Finance's independent assessments of the impact that measures will have on general government finances. The ability of the Ministry of Finance to draw up extensive impact assessments will be strengthened and improved. In accordance with the Act on a National Framework for Fiscal Policy, the first General Government Fiscal Plan of the government term must state the measures to achieve the target for government term. The medium-term plan to be submitted to the EU does not have to include measures to comply with the net expenditure path, but impact assessments must be provided for structural reforms and investments

² Reference path refers to the net expenditure path presented by the European Commission as the basis for discussions with Member States if general government debt is in excess of 60 per cent or if the general government deficit is more than 3 per cent of GDP when the Member States are preparing their national medium-term plans.

included to justify an extension of the adjustment period. Finland will have to submit two reports in 2026–2028 on its measures to correct its excessive deficit to the EU, in other words, measures to comply with the net expenditure path and to bring the general government deficit under the 3 per cent reference value.

The net expenditure path defined in the medium-term plan to be submitted to the EU in the summer of 2027 provides the foundation for setting the budgetary position targets. This net expenditure path would use the option to extend the adjustment period. A seven-year adjustment period is considered justified given the scale of the adjustment needs necessary to reverse the trend of Finland's growing debt burden. In addition, the need to increase defence spending, including after the expiry of the EU's escape clause in 2028, supports a seven-year adjustment period. The structural reforms and investments included to justify the extension of the adjustment period are based on the EU's country-specific recommendations, which will be approved by the Council of the EU in July 2026.

The budgetary position targets are based on the Ministry of Finance's winter 2025 forecast and the current calculations of the measures to strengthen general government finances required by EU obligations in the next parliamentary period. It also takes into consideration that EU obligations do not allow measures to strengthen general government finances to be backloaded.

The final target for the government term set for 2031 will be refined in December 2026. Calculations based on the Ministry of Finance's winter 2025 forecast indicate that reaching the preliminary target set now will require an aggregate of about EUR 8–11 billion in measures to strengthen general government finances by 2031. These calculations involve a great deal of uncertainty and will be updated several times before 2027.

The Left Alliance submitted a dissenting opinion (Appendix 7).