FIN-FSA Board decision on the application of macroprudential instruments

At its meeting on 26 June 2025, the Board of the Financial Supervisory Authority (FIN-FSA Board) decided that the countercyclical capital buffer (CCyB) requirement referred to in chapter 10, section 4 of the Act on Credit Institutions (610/2014) will be kept at 0.0%. The Board also decided that the maximum loan-to-collateral (LTC) ratio referred to in chapter 15, section 11 of the Act on Credit Institutions and in section 14 of the Act on the Registration of Certain Credit Providers and Credit Intermediaries (186/2023) will remain at its standard level of 90%. The maximum LTC ratio for first-home loans will also be kept at its standard level of 95%.

Keeping the countercyclical capital buffer requirement at the level of 0.0%

Global economic growth strengthened in 2024, but the United States' new trade policy poses a risk of a significant slowdown. At the beginning of April, the US administration announced significant tariffs on almost all US imports, however, subsequently postponing the entry into force of some of these tariffs by three months, for countries other than China. After the tariff announcement, equity markets across the world declined steeply. Tensions between the United States and China intensified when China announced it would impose counter-tariffs.

Global economic growth is expected to slow down over the coming years as growth in the United States in particular, but also in other major economic areas, is hampered by the trade war. The trade war and uncertainty about the trajectory of the international economy weakens the already fragile cyclical state of the euro area. Broader concerns regarding the direction of the United States' foreign and security policy and its shifting stance towards allies increase uncertainty in the international economy. Meanwhile, persistent geopolitical tensions and the ongoing wars in Ukraine and the Middle East also pose a threat to the development of the international economy.

The prolonged decline in Finnish GDP came to an end in 2024, and slow growth resumed in the last quarter of the year. The persistently weak cyclical situation continues to weigh on the labour market. Economic growth remains subdued this year, hindering the growth of labour demand. Employment will begin to gradually improve when the cyclical situation improves. However, the decline in unemployment remains slow. The outlook provided by the Bank of Finland's June forecast for Finland's cyclical developments in this year and the next has deteriorated somewhat compared to previous forecasts. The Finnish economy is projected to recover slowly from the recession. Finnish GDP is estimated to grow by 0.5%, 1.5% and 1.6% in 2025, 2026 and 2027, respectively. The risks in this forecast are tilted towards weaker growth and slower inflation than projected. There is major uncertainty regarding the global situation, international economic environment and the impacts on Finland.

The financial cycle has remained sluggish, and developments in the core risk indicators for the countercyclical capital buffer (CCyB) do not indicate a clear turnaround. The value of the primary risk indicator, i.e. the deviation of the private sector credit-to-GDP ratio from its long-term trend, declined quarter-on-quarter in the first quarter of 2025 and remained deep in the negative territory (-16.9 percentage points). The trend deviation calculated using a more narrow definition of the credit stock also remained negative (-11.8 percentage points).

Supplementary risk indicators do not point to any significant increase in cyclical stability risks associated with total lending, either. Lending growth has been sluggish. Both the household and corporate loan stocks have contracted, and the decline continued in February 2025. The growth of housing corporations' loan stock has remained stable. Real housing prices declined in the fourth quarter of last year as measured by a moving three-year average. Average interest rates on new housing loans and corporate loans have continued to decline, and the current account surplus grew in the fourth quarter of 2025.

Keeping the maximum LTC ratio at standard level

The outlook of the housing market also remains uncertain. Housing sales picked up in the second half of 2024 and January–May 2025, but housing prices have still continued to decline slightly, and residential construction remains low. Vulnerabilities related to household indebtedness have eased somewhat as new borrowing by households has been limited and debt has decreased relative to income. The trade war as well as geopolitical tensions in the economy and the security environment are likely to keep consumers' confidence in the economy weak, which may also restrain the recovery of borrowing.

In January–May 2025, the volume of sales of old dwellings was higher than in the two previous years but still below the average for the same period in 2015–2019. The effects of changes in transfer taxation, in particular on first-time homebuyers, complicate the comparison of different periods after end-2023. Data on the growth of non-first home loans in 2024 and early 2025 support the assessment that the housing market cycle has begun to strengthen. However, the housing loan stock has continued to contract from last year. The sales of new dwellings continue to be sluggish, and the volumes of dwellings completed and being built are low.

The housing markets are expected to recover gradually and moderately in the next few years as the decline in interest rates facilitates debt servicing and as economic growth and consumers' confidence in the economy strengthen. However, the shifted US trade policy and geopolitical tensions have increased uncertainty and risks in the global and Finnish economy, thereby also amplifying downward risks in the Finnish housing market. Unemployment and the threat of unemployment perceived by consumers have increased in Finland over the past year. These factors may continue to restrain the recovery of housing sales and borrowing although the deceleration of inflation and decline in the level of interest rates have already facilitated debt servicing by households. Consumers have continued to consider the time unfavourable for taking out a loan, and their house purchase intentions have remained lower than the long-term average.

Risks to financial stability and associated with mortgage lending are expected to remain contained. Vulnerabilities are eased by the fact that household indebtedness has decreased and is expected to remain lower in the following years than at their peak before the interest rates rose. The risks could surprise to the upside if the recession of the housing market becomes protracted and deepens further. The risks could also increase if the demand for housing were to recover very rapidly relative to the housing production, which starts up more slowly. More negative developments than anticipated could increase the realisation of risks in the short term, whereas significantly stronger demand than expected growth could amplify risks and vulnerabilities over the longer term.

There are no signs of any exceptional growth in financial stability risks associated with mortgage lending. The analysis did not identify any factors that directly jeopardise financial stability and require lowering the maximum LTC ratio in respect of (i) the growth in the stock of residential mortgages to households (ii) the threat of overheating in the housing market or (iii) other developments pertaining to the macroeconomy, or any other significant threat that might have an impact on residential mortgage and housing markets. At present, there are no grounds to reduce the maximum LTC ratio from its statutory standard level. The FIN-FSA will monitor the risks and longer-term vulnerabilities related to mortgage lending and indebtedness, as well as changes in the operating environment affecting them.