

2023 Draft Budgetary Plan

Economic Policy

Publications of the Ministry of Finance – 2022:69

2023 Draft Budgetary Plan

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2023 Draft Budgetary Plan

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Abstract			
<p>Under Regulation (EU) No 473/2013 of the European Parliament and of the Council (regulation on common provisions for monitoring and assessing Draft Budgetary Plans and ensuring the correction of excessive deficit of the Member States in the euro area), euro area Member States are required to submit their Draft Budgetary Plans (DBPs) for the forthcoming year to the European Commission by 15 October.</p> <p>The DBPs are part of the coordinated surveillance exercise, which takes place every autumn. The DBP contains the details of macroeconomic forecasts and assumptions, targets for general government finances, expenditure and revenue projections under the no-change scenario, expenditure and revenue targets, discretionary measures contained in the Budget proposal, the goals set out in the European Union's strategy for growth and jobs, and Country-Specific Recommendations, a comparison between the DBP and the most recent Stability Programme and an appendix on methods. The General Escape Clause of the Stability and Growth Pact was activated in March 2020 and will also remain in effect in 2023. The 2023 Draft Budgetary Plan is based on the proposal for the 2023 Budget presented by the Government to Parliament, which is largely based on the spring 2022 spending limits decision, 2022 supplementary budgets and the Local Government Finances Programme for the year 2023.</p>			
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Vuoden 2023 alustava talousarviosuunnitelma

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Tiivistelmä			
<p>Euroopan parlamentin ja neuvoston asetuksen (EU) N:o 473/2013 (asetus alustavien talousarviosuunnitelmien seurantaa ja arviointia sekä euroalueen jäsenvaltioiden liiallisen alijäämän tilanteen korjaamisen varmistamista koskevista yhteisistä säännöksistä) mukaisesti euroalueen jäsenvaltiot toimittavat 15. lokakuuta mennessä tulevaa vuotta koskevat alustavat talousarviosuunnitelmansa (Draft Budgetary Plan, DBP) komissiolle.</p> <p>Alustavat talousarviosuunnitelmat kuuluvat syksyisin toteutettavaan koordinoituun valvontamenettelyyn. Alustava talousarviosuunnitelma pitää sisällään tiedot makrotalouden ennusteista ja oletuksista, julkisen talouden tavoitteista, tulo- ja menoennusteista politiikan pysyessä muuttumattomana, tulo- ja menotavoitteista, talousarvioesitykseen sisältyvistä päätösperäisistä toimenpiteistä, unionin kasvu- ja työllisyysstrategian tavoitteista ja maakohtaisista suosituksista ja viimeisimmän vakausohjelman ja alustavan talousarviosuunnitelman vertailusta sekä menetelmiä koskevan liitteen. Vakaus- ja kasvusopimuksen yleinen poikkeuslauseke aktivoitiin maaliskuussa 2020 ja se on voimassa myös vuonna 2023. Vuoden 2023 alustavan talousarviosuunnitelman pohjana toimivat hallituksen eduskunnalle antama vuoden 2023 valtion talousarvioesitys, joka perustuu pitkälti kevään 2022 kehyspäättökseen, vuoden 2022 lisätalousarvioihin sekä kuntatalousohjelmaan vuodelle 2023.</p>			
Asiasanat	talouspolitiikka, finanssipolitiikka, talousarviot, vakaus- ja kasvusopimus		
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Utkast till budgetplan 2023

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<p>Medlemsstaterna i euroområdet tillställer i enlighet med Europaparlamentets och rådets förordning (EU) nr 473/2013 (förordningen om gemensamma bestämmelser för övervakning och bedömning av utkast till budgetplaner och säkerställande av korrigering av alltför stora underskott i medlemsstater i euroområdet) kommissionen sina utkast till budgetplaner för det kommande året (Draft Budgetary Plan, DBP) senast den 15 oktober.</p> <p>Utkasten till budgetplaner ingår i EU:s samordnade tillsynsförfarande som genomförs varje höst. Utkastet till budgetplanen inkluderar uppgifter om makroekonomiska prognoser och antaganden, målen för den offentliga ekonomin, inkomst- och utgiftsprognoserna då politiken förblir oförändrad, inkomst- och utgiftsmålsättningarna, beslutsbaserade åtgärder som ingår i budgetpropositionen, målen i unionens tillväxt- och sysselsättningsstrategi och de landsspecifika rekommendationerna, en jämförelse av det senaste stabilitetsprogrammet och utkastet till budgetplanen samt en bilaga om metoder och medel. Stabilitets- och tillväxtpaktens allmänna undantagsklausul aktiverades i mars 2020 och den gäller också 2023. Utkastet till budgetplanen för 2023 baserar sig på regeringens proposition om statsbudgeten för 2022 som till stora delar grundar sig på rambeslutet från våren 2022, tilläggsbudgetarna för 2022 samt kommuneekonomiprogrammet för 2023.</p>			
Nyckelord	finanspolitiken, budgetar, stabilitets- och tillväxtpakten		
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Contents

1	General Escape Clause of the Stability and Growth Pact	8
2	Compliance with the deficit and debt criteria	9
3	Compliance with the preventive arm of the Stability and Growth Pact	11
4	Government's assessment of progress towards the Medium-Term Objective	16
5	Finland's Recovery and Resilience Plan and updating the RRP	17
6	Tables	21
	Appendices	32

The 2023 Draft Budgetary Plan presents an assessment of Finland's general government finances in 2022 and 2023 and the Government's assessment of progress towards the Medium-Term Objective (MTO), as laid down in the Fiscal Policy Act (869/2012).

1 General Escape Clause of the Stability and Growth Pact

The General Escape Clause of the Stability and Growth Pact was first activated in spring 2020.¹ Based on the General Escape Clause, Member States are permitted to temporarily deviate from the adjustment path towards the medium-term budgetary objective due to an unusual event beyond the Member State's control and which has a major impact on the general government budgetary position or in a severe economic downturn for the euro area or the EU as a whole, provided that this does not endanger fiscal sustainability in the medium term.² In May 2022, the Commission stated³ that the General Escape Clause will remain activated until the end of 2023, as the EU has not yet recovered from the significant economic downturn caused by the pandemic and due to the heightened uncertainty and strong downside risks to the economic outlook in the context of the war in Ukraine, unprecedented energy price hikes and continued supply chain disturbances.⁴

1 In March 2020, the European Commission issued a communication (<https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1591119459569&uri=CELEX:52020DC0123>) on the activation of the General Escape Clause of the Stability and Growth Pact. The EU ministers of finance subsequently issued a joint statement expressing their agreement with the Commission's assessment that the conditions for the use of the General Escape Clause of the Stability and Growth Pact are fulfilled. In autumn 2020, the Commission stated that the General Escape Clause is activated in 2021. In its communication on fiscal policy guidance in spring 2021, the Commission specified economic conditions for the deactivation of the General Escape Clause and, based on the 2021 spring forecast, stated that the General Escape Clause would remain activated until the end of 2022. In its communication on fiscal policy guidance in March 2022, the Commission noted that the General Escape Clause would be deactivated at the beginning of 2023, but that the matter would be reassessed on the basis of the Commission's spring forecast in view of the high uncertainty.

2 Regulation (EC) 1466/97, Articles 5(1), 6(3), 9(1) and 10(3) and Regulation (EC) 1467/97, Articles 3(5) and 5(2)

3 https://ec.europa.eu/info/system/files/2022_european_semester_spring_package_communication_en.pdf

4 In the General Government Fiscal Plans of 2020, 2021 and 2022, it was considered that the validity of the General Escape Clause also refers to the existence of exceptional circumstances pursuant to domestic fiscal policy legislation (Fiscal Policy Act, 869/2012 and the Decree on the General Government Fiscal Plan, 120/2014), which meant that the setting of multiannual and sectoral targets does not need to result in the achievement of the MTO.

2 Compliance with the deficit and debt criteria

The general government budgetary position relative to GDP was -2.7% in 2021, which meant that the 3% excess over the reference value of the Treaty on the Functioning of the European Union (TFEU) in 2020 was temporary. According to the independent forecast of the Economics Department of the Ministry of Finance, the general government budgetary position will strengthen this year and will amount to -1.4% of GDP. The Ministry of Finance projects that the budgetary position in 2023 will be -2.2% of GDP.

A statistical change adopted in financial accounting in June 2022⁵ affected the consolidated EDP debt of Finland's general government retroactively. Taking this effect into account, the 60% TFEU reference value has been exceeded since 2013. This affects the assessment of the fulfilment of the TFEU debt criterion⁶. In other words, the debt reduction benchmark applies to Finland.⁷ However, in its March 2022 communication on fiscal policy guidance for 2023⁸, the Commission noted that, as regards Member States with a debt ratio above the 60% reference value, compliance with the debt reduction benchmark would imply a too demanding frontloaded fiscal effort that risks to jeopardise economic growth. Therefore, in the view of the Commission, compliance with the debt reduction benchmark is not warranted under the current exceptional economic conditions.

Nevertheless, the Commission assessed the fulfilment of the debt criterion in its report under Article 126(3)⁹. In its report, the Commission noted that the general government

5 [An exceptional revision in the financial accounts statistics in the releases of 28 June 2022. The reason is the methodological change made to the treatment of ARA interest subsidy loans. – Statistics Finland \(stat.fi\)](#)

6 Pursuant to the Treaty on the Functioning of the European Union, it is assessed whether the ratio of government debt to GDP exceeds the reference value, unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace.

7 When the reference value has been exceeded for more than three years, a debt reduction target applies, which involves assessing the reduction of the debt ratio towards the 60% reference value on the basis of a backward-looking criterion, a forward-looking criterion and a cyclically adjusted criterion.

8 [Fiscal policy guidance for 2023 \(europa.eu\)](#).

9 [2022 report under Article 126\(3\) of the Treaty on the Functioning of the EU \(TFEU\) | European Commission \(europa.eu\)](#)

debt in Finland exceeded the TFEU reference value and that the debt criterion was not met in 2021. In addition to Finland, the debt criterion was not met in four other Member States in 2021. The statistical revision changed Finland's general government debt by 5.9 percentage points in 2021, which increased the debt level to 72.3% of GDP. While this changes the assessment of the debt criterion for 2021, the conclusion is the same: the debt criterion was not met in 2021. In May, the Commission stated that it will re-assess opening Excessive Deficit Procedures in autumn 2022.

According to the Ministry of Finance's independent forecast, the debt ratio will decrease to 71.2% in 2022, but debt is projected to return to an increasing path and amount to 72.7% of GDP in 2023. According to the Ministry of Finance's assessment, the debt criterion will be breached in 2022 and 2023 in light of the figures of the independent forecast. The Commission's assessment of 2022 will be carried out in spring 2023.¹⁰

10 Only assessments of the past year can lead to the opening of an Excessive Deficit Procedure.

3 Compliance with the preventive arm of the Stability and Growth Pact

Finland is in the preventive arm of the Stability and Growth Pact and is subject to the requirements of the preventive arm which relate to progress towards the MTO. The achievement of the MTO or progress towards it is assessed on the basis of two pillars: structural balance and expenditure benchmark. The MTO set by Finland for the structural balance is -0.5% of GDP.

Assessing the preventive arm on the basis of these two pillars is not possible at present, as numerical fiscal policy recommendations have not been issued since 2019. The Ministry of Finance's assessment of compliance with the preventive arm in 2022 and 2023 is based on an evaluation of compliance in 2022 and 2023 with the qualitative fiscal policy recommendations approved by the Council in summer 2021 and 2022.

The Council adopted fiscal policy recommendations in June 2021 in connection with the assessment of the Stability Programme. Finland was instructed to take the following measures:

- i. In 2022, maintain a supportive fiscal stance, including the impulse provided by the Recovery and Resilience Facility, and preserve nationally financed investment. Keep the growth of nationally financed current expenditure under control.
- ii. When economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term. At the same time, enhance investment to boost growth potential.
- iii. Pay particular attention to the composition of public finances, both on the revenue and expenditure sides of the budget, and to the quality of budgetary measures, to ensure a sustainable and inclusive recovery. Prioritise sustainable and growth-enhancing investment, notably supporting the green and digital transition. Give priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including by strengthening the coverage, adequacy, and sustainability of health and social protection systems for all.

In the country-specific recommendations adopted by the Council in July 2022 with regard to general government finances, Finland was instructed to take the following measures: “in 2023, ensure that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine; stand ready to adjust current spending to the evolving situation; expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds; for the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions”.

According to the Ministry of Finance’s assessment, Finland will follow the recommendations adopted by the Council in 2022 and 2023:

- According to the Ministry of Finance’s independent forecast¹¹, the overall fiscal policy stance will turn to slightly accommodative. This is due to preparedness-related measures as well as targeted and temporary measures to support households and firms in response to rising energy prices. In the Commission’s spring forecast, declining nationally financed current expenditure was projected to have a contracting effect of 0.4 percentage points on the fiscal policy stance in 2023. People fleeing the war in Ukraine have been provided with targeted support. The impact of these measures on the general government deficit will be EUR 0.6 billion in 2022 and EUR 0.8 billion in 2023. According to the Finnish Immigration Service, a total of 39,214 applications for temporary protection had been submitted in Finland by 18 September 2022. The number of applications for temporary protection is projected to be 48,000 in 2022 and 30,000 in 2023.
- According to the Government Programme, Finland will be carbon neutral by 2035, and the Government is committed to deciding on the necessary additional measures to achieve carbon neutrality by 2035. The Government has decided on significant green transition measures as part of Finland’s Sustainable Growth Programme and within the framework of the escape clause established after the start of Russia’s war of aggression.
- To strengthen energy self-sufficiency and security of supply, a package of measures has been decided on with a view to significantly accelerating disengagement from fossil energy and supporting the introduction of new technology. To boost investment in the green transition, the General

11 <https://julkaisut.valtioneuvosto.fi/handle/10024/164336>

Government Fiscal Plan includes increased resources allocated to permit and other administrative procedures, and to digitalisation. A significant share of the Recovery and Resilience Plan is allocated to promoting the twin transition despite Finland's lowered final allocation.

- According to the Fiscal Sustainability Report¹² published by the European Commission on 25 April 2022, Finland is categorised as being at medium risk with regard to fiscal sustainability in the medium term and the long term. In the short term, Finland is in the low risk category. Finland is assessed to have low vulnerability in the debt sustainability analysis. Developing the treatment of pension funds in the assessment of debt sustainability is also mentioned in the report as a potential area of future development. The report highlights the special characteristics of Finland and Luxembourg with regard to the positive impact of pension funds on the debt ratio through stock-flow adjustments. In Finland's case, the accumulated assets of pension funds amount to approximately 90% of GDP, and the cumulative impact of potential changes on the debt ratio is approximately 6 percentage points over a debt sustainability analysis horizon of 10 years. According to the Ministry of Finance's independent forecast, the public sector deficit will remain clearly under the 3% reference value throughout the forecast horizon.
- In response to rising energy prices, the Government has implemented and planned measures for which estimated costs amount to approximately 0.2% of GDP in 2022 and 0.4% of GDP in 2023. These measures are listed in a separate table (Discretionary and planned measures related to energy prices and/or inflation). In addition, the Government has decided on, or planned, guarantees, loans and other similar arrangements for the energy sector (EUR 10 billion), bridge financing for an energy company (EUR 2 billion) and a guarantee/loan programme for municipality-owned energy companies (EUR 5 billion).
- In addition to the measures related to rising energy prices, the Government has decided on measures pertaining to ensuring the availability of energy and accelerating energy investments, for example. The Government has also implemented a number of changes to vehicle taxation, particularly with respect to the taxes collected on the registration of new cars. However, these measures are more closely related to long-term climate policy.

12 https://economy-finance.ec.europa.eu/publications/fiscal-sustainability-report-2021_en

Discretionary measures related to the sudden rise in energy prices and/or inflation (EUR mn.)

Expenditure	2022	2023
Support to agriculture sector	219	
Transportation support for the logistics sector	75	
Support to public transport	20	
Additional adjustment to the national-pension index of 2022 and accordingly to indexed social benefits (from 1.8.2022)	99	10
Temporary increase to travel allowances paid from the health insurance		5
Measures to support households' purchasing power (social benefits)		73
Fixed-term financial support for electricity for households		300
Additional child benefit in December 2022 to support households' purchasing power	112	
Revenue	2022	2023
Temporary increase of deductible commuting expenses	-143	-24
Temporary exemption of agricultural production buildings from real estate tax	-13	
Temporary reduction of -7.5 % of the distribution obligation of biofuels	74	73
Additional increase in household tax deductions on heating system renovations	-8	-8
A fixed-term tax credit for electricity		-300
Reducing early childhood education and care fees (permanent)		-100
The value-added tax rate on electricity will be lowered to 10 per cent between December and April		-290
The value-added tax on passenger transport be dropped to zero between January and April 2023		-60
Total impact	2022	2023
EUR, mn.	615	1097
% of GDP	0.2	0.4

Taking into account the validity of the General Escape Clause of the Stability and Growth Pact in 2022 and 2023 and the Council's fiscal policy recommendations in 2021 and 2022 (which did not contain any numerical fiscal policy recommendations in terms of the structural balance or the expenditure benchmark), the Ministry of Finance's assessment concludes that it is not useful to examine the structural balance or the expenditure benchmark in 2022 or in 2023 or on a cumulative basis in 2021–2022 or 2022–2023 in this context. It should also be noted that the assessment of the structural balance involves uncertainties in the context of a major cyclical change during which estimating the output gap is difficult and the assessment of the cyclical situation is likely to be subject to revisions in future forecasts.

According to the assessment of the Ministry of Finance presented in the Stability Programme in the spring, Finland was in compliance with the requirements of the preventive arm of the Stability and Growth Pact and the fiscal policy recommendations given in 2021, and the Commission and Council agreed with this assessment in spring 2022. According to the Ministry of Finance's assessment, Finland will continue to follow the given recommendations in 2022 and 2023.

4 Government's assessment of progress towards the Medium-Term Objective

According to the Government's assessment, Finland has followed the Country-Specific Recommendation on general government finances it was given in 2021. Pursuant of section 3, subsection 1 of the Fiscal Policy Act (869/2012), the Government will initiate the measures it deems necessary to correct budgetary stability and sustainability if the structural balance of the general government, in the Government's assessment, deviates significantly in a manner that endangers the achievement of the MTO. The Government will assess this in connection with the monitoring and overall assessment of the state of general government finances or after the Council of the European Union has drawn attention to the matter in its assessment of Finland's Stability Programme.

5 Finland's Recovery and Resilience Plan and updating the RRP

Finland's Recovery and Resilience Plan (RRP) was approved on 27 May 2021.

On 4 October 2021, the Commission issued its assessment of Finland's plan and the proposal for the Council's implementing decision regarding Finland's plan. The plan was approved by the Council on 29 October 2021.

The plan consists of four pillars:

- i. Green transition supports structural change in the economy and a carbon-neutral welfare society.
- ii. Digitalisation and the data economy will help strengthen productivity and make services available to everyone.
- iii. The employment rate and skill levels will be raised to enable sustainable growth to gather pace.
- iv. The availability of health and social services will be improved and their cost-effectiveness will be increased.

Finland's RRP forms part of Finland's Sustainable Growth Programme. The Ministerial Working Group on Sustainable Growth in Finland has outlined the general goals of the Sustainable Growth Programme: to reduce greenhouse gas emissions, increase productivity, raise the employment rate, ensure quicker access to care and promote equality.

The total amount of funding received by Finland in grants under the Recovery and Resilience Facility decreased to approximately EUR 1.8 billion according to the update¹³ published by the Commission on 30 June 2022. On 22 June 2022, the Ministerial Working Group on Sustainable Growth in Finland outlined how Finland's Recovery and Resilience

13 https://ec.europa.eu/info/sites/default/files/2022_06_30_update_maximum_financial_contribution_rrf_grants.pdf

Plan will be updated to reflect the decrease in the total amount of RRF funding received, specifying reductions in investments totalling EUR 272.75 million.¹⁴ According to the ministerial working group's outline, the following changes will be made to the euro amounts of investments under the plan:

PILLAR 1

Measure	Reduction (EUR million)	Updated funding (EUR million)
Low-carbon hydrogen, carbon dioxide capture and use	20	136
Direct electrification and low carbonisation of industrial processes	12	48
Phasing out oil heating	70	0
Public charging infrastructure and gas refuelling network	6.4	13.6
Private charging infrastructure	20	0
Climate action in the land use sector	1.5	8.5

PILLAR 2

Measure	Reduction (EUR million)	Updated funding (EUR million)
Improving the quality and availability of telecommunications networks	18	32
Virtual Finland	5	4
RRF monitoring information system	4	5.75

¹⁴ [Finland will update its Recovery and Resilience Plan.](#)

PILLAR 3

Measure	Reduction (EUR million)	Updated funding (EUR million)
Enhancing the implementation of the Youth Guarantee by means of an incentive model for municipalities	6.5	6.5
Intermediate labour market operator	8	12
Mental health and work ability as prerequisites for employment and productivity	1.5	14.5
Continuous learning reform and digitalisation programme	14	32
Local infrastructure	4.75	25.25
Innovation infrastructure funding awarded through competitive tendering	4.25	20.75
Accelerating key industries	2	25
Innovative growth enterprises	2	18
Growth acceleration programme	5.4	4.6
Programme to promote low-carbon approaches, the circular economy and the digital transformation in industry and to facilitate increased exports of industrial services	1	4
Conversion and acquisition support	5	0
Health and wellbeing expertise and technology	1	4
Supporting sustainable and digital growth in the tourism industry	8.25	11.75

PILLAR 4

Measure	Reduction (EUR million)	Updated funding (EUR million)
Promote compliance with the care guarantee and reduce the treatment deficit with the aid of government grants	52	178

Preparations for updating Finland's Recovery and Resilience Plan in accordance with the changes outlined by the ministerial working group are under way. The Finnish Government will approve the updated Recovery and Resilience Plan. The European Commission will then assess the updated plan and, finally, the Council will approve it.

Revenue from RRF grants (% of GDP)

	2020	2021	2022	2023	2024	2025	2026
RRF grants included in revenue forecasts		0.01	0.22	0.21	0.13	0.06	0.02
RRF grants payments from the EU		0.00	0.19	0.14	0.11	0.10	0.10

Expenditure funded with RRF grants (% of GDP)

	2020	2021	2022	2023	2024	2025	2026
Employee compensations D.1		0.00	0.04	0.02	0.01	0.00	0.00
Intermediate consumption P.2		0.00	0.06	0.04	0.02	0.00	0.00
Social security payments D.62+D.632							
Interest expenses D.41							
Subsidies D.3		0.00	0.03	0.03	0.02	0.00	0.00
Other income transfers							
TOTAL EXPENDITURE		0.0	0.2	0.2	0.1	0.1	0.0
Gross fixed capital formation P.51g		0.00	0.02	0.04	0.02	0.02	0.01
Capital transfers D.9		0.00	0.07	0.09	0.05	0.03	0.01
Investments and capital transfers total		0.00	0.09	0.13	0.08	0.05	0.02

6 Tables

Macroeconomic forecasts¹⁵

Table 0.i). Basic assumptions

	2021	2022	2023
3-month EURIBOR	-0.5	-0.1	1.3
Bond interest rate (10 years)	-0.1	1.4	1.8
USD/EUR exchange rate	1.2	1.1	1.0
Nominal effective exchange rate (Finland)	0.8	-3.3	-1.6
World GDP growth (excluding EU)	6.1	2.7	2.7
EU-28 GDP growth	5.3	2.1	1.3
GDP growth in key export markets	10.4	3.4	3.2
World trade growth	10.7	4.2	4.0
Crude oil price (USD/barrel)	70.7	102.9	89.8

¹⁵ The Draft Budgetary Plan forecast, which was also the basis for the preparation of the Budget Proposal, has been prepared by the Economics Department of the Ministry of Finance. The forecast is independent and its formal independence is based on the Fiscal Policy Act (Act on the Implementation of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (EMU), the implementation of Treaty provisions of a legislative nature as well as the amendment of the Act on requirements concerning multi-annual budgetary frameworks, 79/2015).

Table 1a. Macroeconomic outlook

	2021 level	2021 amount, %	2022	2023
1. Real GDP	231.3	3.0	1.7	0.5
of which				
1.1. Attributable to the estimated impacts of aggregated budgetary measures on economic growth				
2. Potential GDP	234.0	1.1	1.3	1.0
contributions:				
- labour input				
- capital				
- total factor productivity				
3. Nominal GDP	251.4	5.6	6.9	3.6
4. Private consumption expenditure	121.1	3.6	1.1	0.8
5. Public consumption expenditure	55.9	2.7	1.8	-0.2
6. Capital formation	52.6	1.1	3.6	1.2
7. Change in inventories (% of GDP)	0.0	0.0	0.0	0.0
8. Exports of goods and services	90.2	5.6	1.1	2.7
9. Imports of goods and services	90.3	5.6	1.8	2.6
Contribution to GDP growth, pp				
10. Final domestic demand	232.2	2.8	1.9	0.7
11. Change in inventories	0	0.2	0.1	-0.1
12. Net exports	0.0	0.0	-0.3	0.0

Table 1b. Price trends

	2021	2022	2023
	change, %		
1. GDP deflator	2.5	5.1	3.0
2. Private consumption deflator	1.7	6.5	3.2
3. Harmonised consumer price index	2.1	6.7	3.4
4. Public consumption deflator	3.3	3.9	3.4
5. Investment deflator	2.3	3.7	2.2
6. Export price deflator	9.7	18.7	2.4
7. Import price deflator	9.5	20.8	2.5

Table 1c. Labour market trends

	2021 level	2021 change, %	2022	2023
1. Employment, 1,000 persons	2,555	2.4	2.2	-0.2
2. Employment, 1,000,000 hours worked	427.6	3.2	1.6	-0.1
3. Unemployment rate (%)	212	7.7	6.6	6.7
4. Labour productivity, persons	90.5	0.6	-0.4	0.7
5. Labour productivity, hours worked	540.8	-0.2	0.1	0.6
6. Employee compensations	117.4	6.2	5.3	3.5
7. Employee compensations per employee	45.9	3.7	3.0	3.7

Table 1d. Sector-specific balances

	2021 % of GDP	2022	2023
1. Finland's net lending to the rest of the world	1.0	-0.4	-0.6
of which:			
- Balance of goods and services	0.3	-0.8	-0.8
- Factor incomes and income transfers, net	0.7	0.3	0.2
- Capital transfers, net	0.1	0.1	0.1
2. Private sector net lending	4.1	1.4	2.0
3. Public sector net lending	-2.7	-1.4	-2.2
4. Statistical discrepancy	0.4	0.4	0.4

Targets for general government finances

Table 2.a General government budgetary targets broken down by subsector

	2022 % of GDP	2023
Net lending by subsector		
1. General government total	-1.4	-2.2
2. Central government	-2.3	-3.0
3. -	-	-
4. Local government	-0.4	-0.6
5. Social security funds	1.3	1.4
6. Interest expenses	0.5	0.6
7. Primary balance	-0.8	-1.5
8. One-off measures	0.0	0.0
9. Real GDP growth, % change	1.7	0.5
10. Potential GDP growth, % change	1.3	1.0
contributions:		
- labour input		
- capital input		
- total factor productivity		
11. Output gap	-0.7	-1.2
12. Financial balance cyclical component	-0.4	-0.7
13. Cyclically adjusted financial balance	-1.0	-1.5
14. Cyclically adjusted primary balance	-0.4	-0.8
15. Structural balance	-1.0	-1.5

Table 2.b General government debt trends

	2022 % of GDP	2023
1. Gross debt	71.2	72.7
2. Change in gross debt, pp	-1.1	1.5
Factors contributing to change in gross debt, pp		
3. Primary balance	0.8	1.5
4. Interest expenses	0.6	0.7
5. Stock-flow adjustment items	-2.5	-0.7
of which:		
- Differences between cash-based and accrual-based statistics	0.7	0.3
- Net acquisition of financial assets	1.5	1.8
- of which:		
- privatisation proceeds	-0.3	0.0
- valuation effects and other	-4.7	-2.8
Implicit interest rate on debt	0.9	1.1
Other relevant variables		
6. Liquid financial assets		
7. Net financial debt		
8. Central government write-offs (existing bonds)		
9. Percentage of foreign-currency loans		
10. Average maturity of government debt		

Expenditure and revenue projections under the no-change scenario

Table 3. General government expenditure and revenue projections under the no-change scenario broken down by main components

General government	2022 % of GDP	2023
1. Total revenue under the no-change scenario	52.5	52.7
of which:		
1.1. Taxes on production and imports	13.5	13.3
1.2. Income taxes	16.8	16.3
1.3. Taxes on capital income	0.3	0.3
1.4. Social security contributions	11.8	12.0
1.5. Property income	3.3	3.6
1.5. Other revenue	6.8	7.0
of which: tax rate	42.6	42.0
2. Total expenditure under the no-change scenario	53.9	54.4
of which:		
2.1. Employee compensations (wages + employer's social security contributions)	12.5	12.5
2.2. Intermediate consumption	11.3	11.4
2.3. Social income transfers	20.9	21.5
of which unemployment benefits	1.7	1.6
2.4. Interest expenses	0.6	0.7
2.5. Subsidies	1.1	0.8
2.6. Gross fixed capital formation	4.4	4.6
2.7. Capital transfers	0.6	0.4
2.8. Other expenditure	2.6	2.5

Expenditure and revenue targets; general government expenditure by task

Table 4.a General government revenue and expenditure broken down by main components.

General government	2022 % of GDP	2023
1. Total revenue	52.5	52.5
of which:		
1.1. Taxes on production and imports	13.5	13.4
1.2. Income taxes	16.8	16.2
1.3. Taxes on capital income	0.3	0.3
1.4. Social security contributions	11.8	12.0
1.5. Property income	3.3	3.6
1.5. Other revenue	6.8	7.0
of which: tax rate	42.6	42.0
2. Total expenditure	53.9	54.7
of which:		
2.1. Employee compensations	12.5	12.5
2.2. Intermediate consumption	11.3	11.5
2.3. Social income transfers	20.9	21.5
of which unemployment benefits	1.5	1.6
2.4. Interest expenses	0.6	0.7
2.5. Subsidies	1.1	0.9
2.6. Gross fixed capital formation	4.4	4.6
2.7. Capital transfers	0.6	0.4
2.8. Other expenditure	2.6	2.5

Table 4b. Expenditure outside the expenditure benchmark

	2021 EUR million	2022	2023 % of GDP	2024
1. Expenditure on EU programmes fully matched by EU funds revenue	577	0.4	0.4	0.3
1.a of which investments	96	0.0	0.0	0.0
2. Cyclical unemployment benefit expenditure	630	0.1	0.2	0.2
3. Revenue impacts of discretionary measures	1,467	0.0	-0.1	-0.1
4. Expenditure funded with earmarked revenue	77	0.0	0.0	0.0

Discretionary measures contained in the Budget proposal

Table 5.a Discretionary general government measures

					Budgetary impacts		
					2021	2022	2023
List of measures*	Detailed description	Objective	Accounting principle	Status	% of GDP		
Personal income tax	Personal income tax		accrual-based	majority approved**			-0.3
Corporate income tax	Corporate income tax		accrual-based	majority approved**			0.0
Indirect taxes	Indirect taxes		accrual-based	majority approved**			0.0
Social security contributions	Social security contributions		accrual-based	proposed***			0.2
Expenditure measures (incl. COVID-19 measures and other)	Expenditure measures		accrual-/cash-based	majority approved**			0.0

* Many of the measures do not meet the size criterion (at least 0.05% of the GDP) and for this reason, the measures are combined and only the aggregate effect of the measures is reported.

Some of the measures are temporary but the majority of them are permanent.

** Parliament will decide on this in autumn 2022

*** Ministry of Social Affairs and Health will decide on this in autumn 2022

Divergence from the latest Stability Programme

Table 6. Divergence from the latest Stability Programme

	2021	2022	2023
	% of GDP		
General government net lending			
Stability Programme	-2.6	-2.2	-1.7
Draft Budgetary Plan	-2.7	-1.4	-2.2
Difference, pp	-0.1	0.8	-0.5
General government net lending under the no-change scenario			
Stability Programme	-2.6	-2.2	-1.7
Draft Budget proposal	-2.7	-1.4	-2.0
Difference, pp	-0.1	0.8	-0.3

Guarantee authorisations related to the COVID-19 pandemic

	Measure	Description of the measure	Status	Maximum liabilities ¹ (% of GDP)	Estimated use (% of GDP)
Related to COVID-19 measures	Finnvera	Increasing domestic guarantee authorisations from EUR 4 billion to 12 billion (increasing authorisations by EUR 8 billion) ²	Adopted	4.8	0.9
	Finnair	State guarantees (max. EUR 600 million) for TyEL reborrowing	Adopted	0.2	0.2
	State guarantee scheme for shipping companies that are critical for national emergency supply	State guarantee scheme with a proposed maximum of EUR 600 million	Adopted	0.2	0.1
	Employment Fund's application	Application for collateral for an EUR 800 million credit line to be agreed on to fund cyclical buffer deficit	Adopted	0.0	0.0
	SURE	European Commission's SURE instrument		0.2	0.2
	EIB	EIB's EU COVID19 guarantee fund		0.1	0.1
	Insurance guarantee for COVID-19 vaccines			0.01	0.01
		Subtotal		5.6	1.5
Other	Other central government guarantees	Residual		-	24.8
		Subtotal			26.4
TOTAL					

1) The potential budgetary impacts related to requests for these guarantees should be presented in the table listing discretionary measures under the Stability Programme.

2) With the current authorisation, corporate financing can be increased by EUR 2 billion, so the increase of the authorisation to EUR 12 billion makes it possible offer a total of EUR 10 billion in additional financing to companies

Appendices

Methodological aspects

The macroeconomic forecast is based on expert opinions, the Ministry of Finance's DSGE model (see for example, Economic Survey, autumn 2017, p. 17), a short-term factor model and partial models. The forecast for general government finances is based on a short-term macroeconomic forecast, medium-term calculations, budget proposals, spending limits decisions, tax base forecasts and changes in tax criteria as well as detailed tax revenue estimates derived from them, the local government finances programme and decisions on social security contributions and benefits.



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