



MINISTRY
OF FINANCE

2022 Draft Budgetary Plan

Economic Policy

Publications of the Ministry of Finance – 2021:62

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2022 Draft Budgetary Plan

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2022 Draft Budgetary Plan

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Abstract

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. 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 2022. The 2022 Draft Budgetary Plan is based on the proposal for the 2022 Budget presented by the Government to Parliament, which is largely based on the spring 2021 spending limits decision, Government resolutions pertaining to the coronavirus situation, 2021 supplementary budgets and the Local Government Finances Programme for the year 2022.

Keywords economic policy, fiscal policy, budgets, Stability and Growth Pact

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Vuoden 2022 alustava talousarviosuunnitelma

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Tiivistelmä

Euroopan parlamentin ja neuvoston asetuksen (EU) N:o 473/2013 (asetus alustavien talousarviosuunnitelmien seuranta 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. 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 2022. Vuoden 2022 alustavan talousarviosuunnitelman pohjana toimivat hallituksen eduskunnalle antama vuoden 2022 valtion talousarvioesitys, joka perustuu pitkälti kevään 2021 kehyspäätökseen, valtioneuvoston koronavirustilannetta koskeviin periaatepäätöksiin, vuoden 2021 lisätalousarvioihin sekä kuntatalousohjelmaan vuodelle 2022.

Asiasanat talouspolitiikka, finanssipolitiikka, talousarviot, vakaus- ja kasvusopimus

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Utkast till budgetplan 2022

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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 korrigerande 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. 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 2022. Utkastet till budgetplanen för 2022 baserar sig på regeringens proposition om statsbudgeten för 2021 som till stora delar grundar sig på rambeslutet från våren 2021, statsrådets principbeslut om coronavirusläget, tilläggsbudgetarna för 2021 samt kommunekonomiprogrammet för 2022.

Nyckelord finanspolitiken, budgetar, stabilitets- och tillväxtpakten

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The 2022 Draft Budgetary Plan presents an assessment of Finland's general government finances in 2021 and 2022 and the Government's assessment of progress towards the Medium-Term Objective (MTO), as laid down in the Fiscal Policy Act (869/2012).

General Escape Clause of the Stability and Growth Pact

On 20 March 2020, the European Commission issued a communication¹ on the activation of the General Escape Clause of the Stability and Growth Pact². The proposal to activate the clause was based on the severe economic downturn in the European Union as a whole caused by the coronavirus situation and the need to react to the situation with a sufficiently large fiscal response. In the Communication³ published by the Commission on 2 June 2021, the General Escape Clause will remain active until the end of 2022. Based on the General Escape Clause, Member States may be 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.

Compliance with the deficit and debt criteria

The general government budgetary position relative to GDP was -5.4% in 2020. According to the independent forecast of the Ministry of Finance, the general government budgetary position will strengthen somewhat this year and will amount to -3.9% of GDP. In 2022, the budgetary position is expected to be -2.4% of GDP. In 2019, Finland's general government debt was still below the 60% reference value of the Treaty on the Functioning of the European Union (TFEU), amounting to 59.5% of GDP. As a result of the pandemic, general government debt increased to 69.2% in 2020. According to the independent forecast of the Ministry of Finance, the debt-to-GDP ratio will reach 71.2% this year and 71.3% in 2022.

According to the assessment of the Ministry of Finance, the increase of general government deficit to 3.9% in 2021 means that the excess over the reference value is not insignificant. However, it should be noted that the figures may still be adjusted and it is

1 <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1591119459569&uri=CELEX:52020DC0123>

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://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2021:500:FIN>

possible that the excess over the reference value in 2021 remains insignificant. The excess over the reference value is temporary: the independent forecast shows that deficit will be below the reference value again in 2022. As the excess is caused by the coronavirus crisis, it is also exceptional. It is partially explained by measures related to the coronavirus pandemic, amounting to approximately 1.8% of GDP. Consequently, the Ministry of Finance estimates that when the assessment is conducted next time next spring, it is possible that it concludes that the deficit criterion is fulfilled. General government debt exceeds the TFEU reference value from 2020 onwards and, according to the Ministry of Finance's assessment, the debt criterion will be breached in light of the figures of the independent forecast.

On 2 June 2021, the European Commission published reports⁴ on all Member States apart from Romania in accordance with Article 126(3) of TFEU. The reports assess Member States' compliance with the deficit and debt criteria. In its assessment, the Commission concludes that 23 Member States breach the deficit criterion and 13 Member States breach the debt criterion. However, the Commission did not consider the launching of Excessive Deficit Procedures (EDP) at this time.

The Commission estimates that Finland will exceed the reference value set for deficit in 2021 but will be below it in 2022. In Finland's case, the excess over the reference value is considered to be temporary, as Finland will be below the reference value in 2022, but not insignificant. The Commission's conclusion is that Finland is not in compliance with the deficit criterion. In its report, the Commission also concluded that Finland had exceeded the TFEU reference value for debt in 2020 and that the debt criterion is not met. It should be noted that the Commission's spring forecast⁵ did not take into account the measures decided on in the spring's general government fiscal plan and the figures differ from the deficit and debt figures presented in the plan, especially with regard to 2022. The Commission is expected to next assess compliance with the deficit and debt criteria in spring 2022.

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 that relate to progress towards the MTO. The achievement of the MTO or progress towards it is assessed on the basis of two pillars:

4 https://ec.europa.eu/info/sites/default/files/economy-finance/com-2021-529-1_en_act_part1_v5.pdf

5 https://ec.europa.eu/info/sites/default/files/economy-finance/ip149_en.pdf

structural balance and expenditure benchmark. The MTO set by Finland for the structural balance is -0.5% of GDP.

According to the Country-Specific Recommendations adopted in summer 2020, Finland should “take all necessary measures, in line with the General Escape Clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery and when economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment”.

In the assessment of the Ministry of Finance presented in the Stability Programme, it was noted that Finland followed these recommendations in 2020. In its assessment of the Stability Programme in the spring, the Commission concluded that in 2020 and 2021, Finland had followed the Council recommendations given to it.

In spring 2021, the Commission did not give any Country-Specific Recommendations. Instead, fiscal policy recommendations were given in the assessment of the Stability Programme. In these recommendations adopted by the Council in June 2021, Finland was instructed to take the following measures:

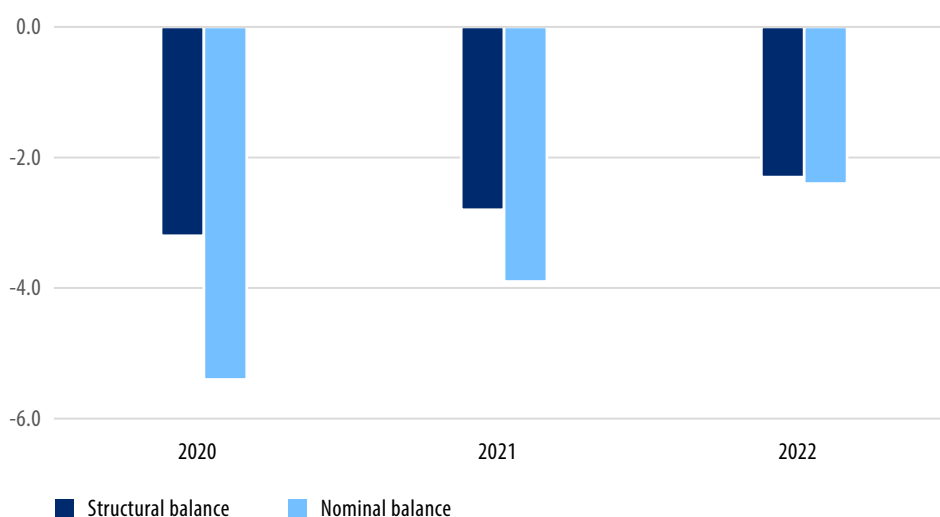
- i. In 2022, maintain a supportive fiscal stance, including the impulse provided by the Recovery and Resilience Facility, and preserve nationally financed investment. Keep the growth of nationally financed current expenditure under control.
- ii. When economic conditions allow, pursue a fiscal policy 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.

According to the Ministry of Finance's assessment, in 2021 and 2022, Finland will follow the recommendations adopted for it by the Council in June 2021, maintaining a stimulating fiscal stance when economic conditions allow. Sustainable and growth-enhancing investments have been prioritised in the drafting of the national Recovery and Resilience Plan.

Taking into account the validity of the General Escape Clause of the Stability and Growth Pact in 2021 and 2022 and the Council's fiscal policy recommendations in 2020 and 2021 (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 2021 or in 2022 or on a cumulative basis in 2020–2021 or 2021–2022 in this context. It should also be noted that the assessment of the structural balance involves uncertainties in the context of a major cyclical turnaround in which estimating the output gap is difficult and the assessment of the cyclical situation is likely to be subject to revisions in future forecasts.

Thus, the assessment of the Ministry of Finance is that, as a whole, Finland was in compliance with the requirements of the preventive arm of the Stability and Growth Pact in 2020, with which the Commission agreed in its own assessment in the spring, and will be in compliance with them also in 2021 and 2022.

Figure 1. General government nominal and structural balance. % of GDP



Based on the European Commission's production function approach.
Sources: Statistics Finland, MoF

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 2020. 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 jeopardises 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.

Finland's Recovery and Resilience Plan

Finland's Recovery and Resilience Plan (RRP) was accepted 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 is expected to be approved in the Council in late October.

The plan consists of four pillars:

- i. Green transition will support structural adjustment of 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 estimate of the amount Finland would receive from the Recovery and Resilience Facility is EUR 2.09 billion at current prices. The final amount of grants payable from the Facility will be determined in June 2022. This final amount is influenced by the GDP development in Finland and other EU Member States in 2020 and 2021.

Funding from the Recovery and Resilience Facility is channeled through the national budget process.

The third supplementary budget of 2021 took into account the first investments according to the RRP. The purpose was for the supplementary budget to take into account investments equalling a 13% prepayment in accordance with the principles set out by the Ministerial Working Group on Sustainable Growth. The supplementary budget proposal proposed a total of EUR 238 million in allocations (appropriations and authorisations combined) to implement the RRP.

The budget proposal published on 27 September 2021 further proposed a total of EUR 1.2 billion in allocations (appropriations and authorisations combined) to implement the RRP. Added appropriations for 2022 would amount to approximately EUR 636 million. Payments from the EU to the State of Finland will be based on the progress of the national plan and the achievement of the goals and milestones defined in the plan. The revenue from the Recovery and Resilience Facility will accrue slower than the use of appropriations. In the budget proposal for 2022, miscellaneous revenue from the EU includes payments from the EU's Recovery and Resilience Facility, estimated to amount to EUR 355 million.

Table 1. Revenue from RRF grants. % of GDP

	2020	2021	2022	2023	2024	2025	2026
RRF grants included in revenue forecasts		0.05	0.24	0.23	0.15	0.07	0.03
RRF grants payments from the EU		0.11	0.14	0.16	0.11	0.07	0.18

Table 2. Expenditure funded with RRF grants. % of GDP

	2020	2021	2022	2023	2024	2025	2026
Employee compensations D.1		0.01	0.07	0.03	0.01	-0.01	0.00
Intermediate consumption P.2		0.01	0.05	0.04	0.02	0.00	0.00
Subsidies D.3		0.00	0.02	0.03	0.02	0.02	0.01
TOTAL EXPENDITURE		0.1	0.2	0.2	0.2	0.1	0.0
Gross fixed capital formation P.51g		0.02	0.06	0.03	0.02	0.01	0.00
Capital transfers D.9		0.02	0.06	0.03	0.02	0.01	0.00
Investments and capital transfers total		0.04	0.12	0.07	0.04	0.01	0.00

Table 3. Measures decided on due to the coronavirus situation that have impacts on general government net lending*. % of GDP

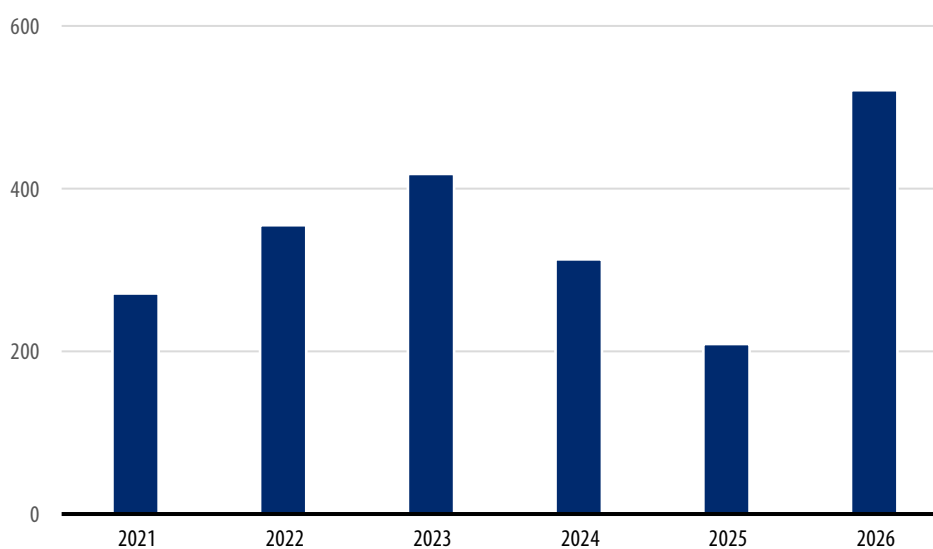
	2020	2021	2022
Support for enterprises: measures such as grants provided for companies by Business Finland and the Centres for Economic Development, Transport and the Environment, support for solvency of sole entrepreneurs, support for catering entrepreneurs, support for agricultural and natural resource economy enterprises, general cost support for companies, estimated increase in Finnvera's loss compensation, public transport support, capital for Finavia, Finnair's hybrid loan	1.0	-0.2	-0.6
Extension of unemployment security: eliminating the waiting period, speeding up the layoff procedure, making small entrepreneurs eligible for unemployment security, extending the payment period of startup grants, streamlining unemployment benefit payments	0.2	-0.1	0.0
Extension of social benefits: support for individuals arriving from other countries and for parents of small children, epidemic compensation	0.1	-0.1	0.0
Children and young people and wellbeing of the elderly: free leisure activities, early childhood education and care, basic education and general upper secondary education, guidance counselling and youth work, student health care, ensuring properly functioning services for the elderly	0.1	-0.1	0.0
Investment projects: basic transport infrastructure management, developing the transport network, renovation construction and public transport support. The sums for the year 2022 are based on a technical assumption concerning the timing of the projects.	0.1	-0.1	0.0
R&D&I, competence and wellbeing: measures such as additional starting places for higher education and developing continuous learning, research appropriations for the Academy of Finland, public employment and business services and developing the service structure.	0.1	-0.1	0.0
Health and social services resources and equipment purchases, and COVID-19 research	0.5	0.3	-0.8
Other expenditure increases prompted by the coronavirus situation	0.4	-0.3	0.0
Expenditure increases total	2.5	-0.6	-1.5
Lowering of private-sector pension contributions for the period 1 May–31 December 2020. Funding will come from the EMU buffer fund of the employment pension scheme. The buffer fund will be augmented again by raising the pension contributions for the period 2022–2025.	-0.4	0.4	0.1
All measures impacting revenue	-0.4	0.4	0.1
Total impact on net lending	-2.9	1.1	1.6

* Budgeted impacts of the measures are described in the table. The table lists the measures contained in the three supplementary budget proposals presented to Parliament by the middle of September 2021 and in the 2022 Budget proposal.

Table 4. Guarantees related to the COVID-19 pandemic

Measure	Description of the measure	Status	Maximum liabilities (% of GDP)
Finnvera	Increasing domestic guarantee authorisations from EUR 4 billion to 12 billion (increasing authorisations by EUR 8 billion) ¹ .	Adopted	5.1
Finnair	State guarantees (max. EUR 600 million) for TyEL reborrowing.	Adopted	0.3
State guarantee scheme for shipping companies that are critical for national emergency supply	State guarantee scheme with proposed maximum of EUR 600 million.	Adopted	0.3
Employment Fund's application	Application for collateral for an EUR 800 million credit line to be agreed on to fund cyclical buffer deficit.	Adopted	0.4
SURE	European Commission's SURE instrument		0.2
EIB	EIB's EU COVID19 guarantee fund		0.2
Total			6.3

¹ 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

Figure 2. Revenue from RRF. (EUR million)

Macroeconomic forecasts⁶

Table 0.i). Basic assumptions.

	2020	2021	2022
3-month EURIBOR	-0.4	-0.5	-0.5
Bond interest rate (10 years)	-0.2	-0.1	-0.1
USD/EUR exchange rate	1.1	1.2	1.2
Nominal effective exchange rate (Finland)	1.4	0.8	0.0
World GDP growth (excluding EU)	-2.9	5.9	4.2
EU-28 GDP growth	-6.0	4.8	4.5
GDP growth in key export markets	-7.1	8.2	4.8
World trade growth	-5.5	8.3	5.0
Crude oil price (USD/barrel)	43.4	68.9	68.2

⁶ The forecast for the draft budgetary plan, which also served as a basis for the drafting of the Budget proposal, was prepared in the Ministry of Finance's Economics Department. The document is an independent projection and its formal independence is based on the Fiscal Policy Act (Act amending the Act on the implementation of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, the implementation of Treaty provisions of a legislative nature as well as requirements concerning multi-annual budgetary frameworks; 79/2015). The budgetary plan is based on statistical data available on 17 September 2021 and on the 2022 Budget proposal that the Government presented to Parliament.

Table 1a. Macroeconomic outlook.

	2020 level	2020 amount, %	2021	2022
1. Real GDP	223.2	-2.9	3.3	2.9
of which				
1.1. Attributable to the estimated impacts of aggregated budgetary measures on economic growth				
2. Potential GDP	232.0	1.3	1.2	1.4
contributions:				
- labour input				
- capital				
- total factor productivity				
3. Nominal GDP	236.2	-1.6	5.4	4.8
4. Private consumption expenditure	116.0	-4.7	3.2	3.8
5. Public consumption expenditure	54.5	0.5	3.6	0.0
6. Capital formation	51.9	-0.7	2.8	2.8
7. Change in inventories (% of GDP)	0.1	0.0	0.0	0.0
8. Exports of goods and services	85.6	-6.7	5.6	5.8
9. Imports of goods and services	84.9	-6.4	5.2	5.1
Contribution to GDP growth, pp				
10. Final domestic demand	222.3	-2.5	3.2	2.6
11. Change in inventories	0	-0.3	0.0	0.0
12. Net exports	0.7	-0.1	0.2	0.3

Table 1b. Price trends.

	2020 change, %	2021	2022
1. GDP deflator	1.3	2.0	1.9
2. Private consumption deflator	0.5	1.8	1.6
3. Harmonised consumer price index	0.4	1.8	1.6
4. Public consumption deflator	3.1	2.2	2.5
5. Investment deflator	1.0	2.2	1.9
6. Export price deflator	-4.2	4.2	1.9
7. Import price deflator	-5.1	4.5	2.2

Table 1c. Labour market trends.

	2020 level	2020 change, %	2021	2022
1. Employment, 1,000 persons	2,494	-1.5	2.2	1.5
2. Employment, 1,000,000 hours worked	412.5	-2.9	2.4	1.4
3. Unemployment rate (%)	209	7.7	7.8	6.8
4. Labour productivity, persons	89.5	-1.4	1.2	1.4
5. Labour productivity, hours worked	541.1	0.0	0.9	1.5
6. Employee compensations	110.4	-1.4	5.8	4.6
7. Employee compensations per employee	44.3	0.2	3.5	3.1

Table 1d. Sector-specific balances.

	2020 % of GDP	2021	2022
1. Finland's net lending to the rest of the world	0.8	-0.2	-0.1
of which:			
- Balance of goods and services	0.4	0.4	0.6
- Factor incomes and income transfers, net	0.3	-0.8	-0.7
- Capital transfers, net	-0.1	-0.1	-0.1
2. Private sector net lending	6.4	3.4	2.1
3. Public sector net lending	-5.5	-3.9	-2.4
4. Statistical discrepancy	0.1	-0.3	-0.3

Targets for general government finances

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

Net lending by subsector	2021 % of GDP	2022
1. General government total	-3.9	-2.4
2. Central government	-4.2	-2.8
3. -	-	-
4. Local government	-0.4	-0.7
5. Social security funds	0.7	1.0
6. Interest expenses	0.7	0.5
7. Primary balance	-3.3	-2.0
8. One-off measures	0.0	0.0
9. Real GDP growth, % change	3.3	2.9
10. Potential GDP growth, % change	1.2	1.4
contributions:		
- labour input		
- capital input		
- total factor productivity		
11. Output gap	-1.8	-0.3
12. Financial balance cyclical component	-1.0	-0.2
13. Cyclically adjusted financial balance	-2.8	-2.3
14. Cyclically adjusted primary balance	-2.3	-1.9
15. Structural balance	-2.8	-2.3

Table 2b. General government debt trends.

	2021 % of GDP	2022
1. Gross debt	71.2	71.3
2. Change in gross debt, pp	1.7	0.1
Factors contributing to change in gross debt, pp		
3. Primary balance	3.3	2.0
4. Interest expenses	0.5	0.4
5. Stock-flow adjustment items	-2.1	-2.4
of which:		
- Differences between cash-based and accrual-based statistics	0.8	0.6
- Net acquisition of financial assets	0.5	0.5
- of which:		
- privatisation proceeds	-0.6	-0.5
- valuation effects and other	-3.4	-3.4
Implicit interest rate on debt	0.8	0.6
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	2021 % of GDP	2022
General government		
1. Total revenue under the no-change scenario	53.0	51.9
of which:		
1.1. Taxes on production and imports	14.2	13.8
1.2. Income taxes	16.4	15.8
1.3. Taxes on capital income	0.3	0.3
1.4. Social security contributions	12.3	12.1
1.5. Property income	2.8	2.8
1.5. Other revenue	6.9	7.0
of which: tax rate	43.4	42.3
2. Total expenditure under the no-change scenario	56.8	54.3
of which:		
2.1. Employee compensations (wages + employer's social security contributions)	12.8	12.8
2.2. Intermediate consumption	11.5	11.0
2.3. Social income transfers	22.0	21.3
of which unemployment benefits	2.1	1.8
2.4. Interest expenses	0.5	0.4
2.5. Subsidies	1.7	1.1
2.6. Gross fixed capital formation	4.9	4.8
2.7. Capital transfers	0.6	0.3
2.8. Other expenditure	2.7	2.6

Expenditure and revenue targets; general government expenditure by task

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

General government	2021 % of GDP	2022
1. Total revenue	53.0	51.9
of which:		
1.1. Taxes on production and imports	14.2	13.9
1.2. Income taxes	16.4	15.8
1.3. Taxes on capital income	0.3	0.3
1.4. Social security contributions	12.3	12.1
1.5. Property income	2.8	2.8
1.5. Other revenue	6.9	7.0
of which: tax rate	43.4	42.3
2. Total expenditure	56.8	54.3
of which:		
2.1. Employee compensations	12.8	12.8
2.2. Intermediate consumption	11.5	11.0
2.3. Social income transfers	22.0	21.3
of which unemployment benefits:	2.1	1.8
2.4. Interest expenses	0.5	0.4
2.5. Subsidies	1.7	1.1
2.6. Gross fixed capital formation	4.9	4.8
2.7. Capital transfers	0.6	0.3
2.8. Other expenditure	2.7	2.6

Table 4b. Expenditure outside the expenditure benchmark.

	2020 EUR million	2021 % of GDP	2022	2023
1. Expenditure on EU programmes fully matched by EU funds revenue	492	0.2	0.2	0.2
1.a of which investments	104	0.0	0.0	0.0
2. Cyclical unemployment benefit expenditure	610	0.3	0.1	0.1
3. Revenue impacts of discretionary measures	-804	0.7	0.0	0.1
4. Expenditure funded with earmarked revenue	77	0.0	0.0	0.0

Discretionary measures contained in the Budget proposal

Table 5. Discretionary general government measures and budgetary impacts.

List of measures*	Objective	Accounting principle	Status	2020	2021	2022
				% of GDP		
Personal income tax		accrual-based	majority approved**			-0.1
Corporate income tax		accrual-based	majority approved**			0.0
Indirect taxes		accrual-based	majority approved**			0.1
Social security contributions		accrual-based	proposed***			-0.1
Expenditure measures (incl. COVID-19 measures and other)		accrual-/cash-based	majority approved**			-0.7

*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 2021

***Ministry of Social Affairs and Health will decide on this in autumn 2021

Divergence from the latest Stability Programme

Table 6. Divergence from the latest Stability Programme.

	2020	2021	2022 % of GDP
General government net lending			
Stability Programme	-5.4	-4.7	-2.9
Draft Budgetary Plan	-5.4	-3.9	-2.4
Difference, pp	0.0	0.9	0.5
General government net lending under the no-change scenario			
Stability Programme	-5.4	-4.7	-2.9
Draft Budget proposal	-5.4	-3.9	-2.4
Difference, pp	0.0	0.9	0.5

Appendix: 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.



MINISTRY
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MINISTRY OF FINANCE

Snellmaninkatu 1 A

PO BOX 28, 00023 GOVERNMENT

Tel. +358 295 160 01

financeministry.fi

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