Government Communications Department
Ministry of Finance
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Key decisions taken in the government budget session of Prime Minister Orpo's Government

The aim of the fiscal policy of Prime Minister Petteri Orpo's Government is to strengthen general government finances and reverse the trend of Finland's indebtedness. The Government Programme is committed to strengthening general government finances through a set of measures that will improve general government finances by a net EUR 6 billion at the 2027 level. Of the set of measures, the share of the net direct consolidation measures will be just over EUR 4 billion at the 2027 level. Measures to boost employment also seek a strengthening of nearly EUR 2 billion at the 2027 level.

The Government's objective is for the budgetary position of general government finances to improve so that the general government deficit will be a maximum of 1 per cent in ratio to GDP during the parliamentary term, i.e. by 2027. This target is aligned with the objective of debt sustainability.

The Government Programme includes a commitment to implementing measures that will strengthen general government finances by EUR 6 billion in order to safeguard the welfare state. The Government is seeking to reverse the trend in the debt ratio. The Government stresses the importance of the growth and savings measures of the Government Programme for achieving the objective.

The latest forecasts give cause for concern in relation to the state of general government finances. An updated economic forecast suggests an estimated shortfall of 0.4 percentage points from the deficit target of 1 per cent of GDP set out in the Government Programme after implementing the EUR 6 billion consolidation package.

The Cabinet Committee on Economic Policy regularly monitors progress towards the economic policy goals of the Government Programme. The Ministry of Finance is preparing for various economic scenarios. The Ministry will initiate a regular expenditure and structure review process in support of contingency planning. The Government is assessing the state of general government finances and will decide on any necessary additional measures in the mid-term policy review.

The central government spending limits system is a key instrument of the Government's fiscal policy steering and the foundation of a credible economic policy. The Government has decided to return to compliance with the spending limits procedure for central government expenditure. The General Government Fiscal Plan sets binding spending limits for the parliamentary term. The entries and other measures of the Government Programme will be implemented within the restrictions of the spending limits for the parliamentary term.

Investment programme included in the Government Programme to be launched

Over the course of the parliamentary term, the Government will implement a fixed-term investment programme of EUR 4 billion to create conditions for sustainable growth for decades to come. The programme will consist of significant investments in transport infrastructure projects that are important for the mobility of labour and for export-driven industry and business life.

Investments will also be made in reducing the repair backlog and in promoting rail projects throughout Finland.

The investment programme will be financed with central government property income, by liquidating overcapitalisation of unlisted state-owned companies and using earnings transferred from the State Housing Fund. Appropriations will be allocated within the limits of collected revenue.

A total of EUR 597 million will be reserved for transport funding, of which an appropriation of EUR 250 million will be allocated for 2024 for reducing the repair backlog. Budget authorities will be allocated for the promotion of the main rail line as a whole so that EUR 110 million will be allocated for the project of synchronising the phases 2 and 3 of increasing the Helsinki–Riihimäki capacity, EUR 163 million will be allocated for the co-financed project of Tampere passenger rail yard and EUR 7.5 million for the planning of electrification on the Tornio–Kolari rail line.

Budget authorities will be allocated for the road network so that EUR 7.5 million will be allocated for the road leading to the Port of Pietarsaari (road 68 Edsevö–Pietarsaari), EUR 14 million for the Joutsa project on main road 4 north of Leivonmäki and EUR 7 million for the Oravansaari interchange of the Jyväskylä project on main road 4. A budget authority of EUR 30 million is proposed for main road 9 in Lievestuore. Budget authorities of EUR 5 million will be allocated for the planning of the Suupohja rail line and EUR 3 million for the planning of the Savo rail line. The new projects will generate a need for additional appropriations of EUR 16.5 million for 2024, EUR 228.5 million for 2025–2027 and a total of EUR 102 million for the subsequent years.

As part of the Clean Energy Finland key projects that are included in the investment programme, a budget authority of EUR 10 million will be allocated for promoting the public recharging and refuelling infrastructure for transport electricity and gas and EUR 9.5 million for supporting the recharging infrastructure for residential buildings.

Reimbursements payable by the Social Insurance Institution of Finland (Kela) will be increased as of 1 January 2024 as part of the package of impact investments and the reduction of waiting times for treatment in health and social services that is included in the investment programme. This will increase central government expenditure by EUR 65.3 million in 2024. During the parliamentary term, a total of EUR 6 million will be allocated for strengthening the guidance of the wellbeing services counties. A total of EUR 9 million will be allocated for funding a national health and wellbeing programme that will be implemented across administrative branches and in cooperation with non-governmental organisations. An appropriation of EUR 9 million will be reserved for the current government term for launching a Good Work Programme to ensure the sufficiency and availability of personnel in healthcare, social welfare and rescue services. A total of EUR 27 million will be allocated for supporting the functioning of older people, their coping at home and informal caregivers. In addition, a total of EUR 10 million will be allocated for funding a pilot project designed to promote the objectives of the digitalisation programme in healthcare and social welfare. The pilot, which will be carried out in cooperation with the research community, will produce information on the actual effects and possibilities of the technology used in digital services and/or 24-hour care.

The Government decided to accelerate the planning of other transport projects decided in the investment programme included in the Government Programme. The Government will make more decisions on transport investments in accordance with the investment programme in the spring 2024 spending limits discussion, possibly in supplementary budgets to be issued during 2024 and in later informal government meetings.

The Government projects being designed that will be promoted urgently (preliminary decision-making time) are: E18 Turku ring road between Naantali and Raisio (2024, partial implementation within the appropriation reserve), highway 180 between Kurkela and Kuusisto (2024), deepening of the Loviisa fairway (2025), main road 5 Leppävirta–Kuopio (2024), Liminka–Oulu twin track (2025), Luumäki–Imatra stage 2 (2024), main road 8 Edsevö–Lepplax (2024), main road 8 Ytterjeppo interchange (2025), deepening of the Vaasa fairway (2026), main road 4 at Vestomäki (2025), main road 4 at Palokka (2024), highway 642 at Äänekoski Bridge (2024), and the development plan for the coastal rail line between Kauklahti and Karjaa (2024).

Substantial investments in research and development

The budget proposal includes increases in central government research and development funding for 2024 in accordance with the Act on State Financing of Research and Development (hereinafter referred to as the R&D Finance Act). The said Act provides for an increase in central government budget authorities and appropriations intended for research and development operations to a total corresponding to 1.2 percent of GDP by 2030.

In the proposal, central government research and development funding (R&D funding) will increase by approximately EUR 280 million in 2024 compared to 2023. Based on earlier decisions, central government R&D funding will increase by around EUR 16 million. In addition, the proposal includes new increases of EUR 264 million to R&D funding.

Additional financing has been allocated in particular for a researcher training pilot programme, to support R&D operations of enterprises and for national co-funding of EU projects. A total allocation of EUR 262 million will be set aside for a researcher training pilot programme to be implemented in 2024–2027. The R&D financing budget authorities of Business Finland will be increased by EUR 92 million, and loans for research and innovation work will rise by EUR 10 million in the period 2024–2027.

An appropriation of EUR 35 million is allocated annually to universities and state research institutes for national co-funding of EU projects. Appropriation increases totalling EUR 79 million in the special and general grants of VTT Oy are proposed for the 2024–2027 spending limits period in order to purchase and commission shared hardware for the Kvanttinova microelectronics and quantum technology piloting environment, together with increases totalling EUR 70 million over the spending limits period for scaling a quantum computer towards 300 qubits. In accordance with the Government Programme, the Government is prepared to safeguard the continuity of high-performance computing capacity (acquisition of the EuroHPC supercomputer). A chip technology programme will be implemented through Business Finland and the availability of match funding under the EU Chips Act will be ensured in accordance with the Government Programme. As part of the measures on chips, preparations will be made to establish a centre of expertise for chips in Finland. The Government will also allocate EUR 4.5 million to VTT's research and development work on small modular reactors.

A permanent increase is proposed in the research project budget authority of the Academy of Finland. Of the additional funding, EUR 40 million will be directed to research flagships in 2024 and EUR 30 million from 2025, EUR 10 million to the effectiveness of researched information (proof of concept projects), and EUR 5 million to national research infrastructure. A permanent increase of EUR 5 million is proposed in central government funding of health care units engaged in university-level research and for university-level research in social work.

In connection with the REPowerEU chapter of Finland's Recovery and Resilience Plan, an appropriation of approximately EUR 23 million is proposed for VTT, EUR 14 million for the Finnish

Environment Institute and EUR 3 million for the Natural Resources Institute Finland for an R&D project on clean energy and material flows in 2024–2026.

Under the R&D Finance Act and according to the spring economic forecast, central government R&D funding must be EUR 2.9 billion in 2025, EUR 3.2 billion in 2026, and EUR 3.4 billion in 2027. The increases for 2025–2027 have yet to be allocated by administrative branch or budget item. The intention is to decide on the allocation in the context of future plans for budgets and general government finances.

Business Finland will develop a mechanism to ensure that funding is also channelled to applied research carried out in universities of applied sciences in cooperation with companies. In addition, R&D operations carried out in the Natural Resources Institute Finland will be supported in order to strengthen competence and applied research in the natural resources sectors.

Investing in education

The Government will permanently increase the level of funding for comprehensive schools by EUR 200 million over the government term. In 2024, funding for comprehensive school education would be increased by EUR 50 million. Particular attention will be paid to making learning materials available in Swedish and Sami.

In 2024, the Government will also allocate EUR 11.7 million to increasing the total student intake in tertiary education. Appropriations for summer universities will be increased by one million euros relative to the Ministry of Finance's budget proposal.

The budget proposal includes an additional appropriation of EUR 10 million for developing a learning support system for upper secondary education.

EU funding to accelerate green transition

The amendment to the EU Regulation on the REPowerEU plan, which aims to end the EU’s dependence on fossil fuels from Russia and speed up the green transition, entered into force in February 2023. RePowerEU is part of the Recovery and Resilience Facility (RRF).

Finland has EUR 113 million in additional financial support available, in addition to which EUR 14 million has been transferred from the Brexit Adjustment Reserve. This means that Finland has a total of EUR 127 million available. The Government has decided to allocate the REPowerEU funds for 1) accelerating environmental permit procedures in a manner compatible with the reform of regional state administration, 2) R&D funding and piloting of clean energy and material flows projects, and 3) investments in the clean transition.

Investing in security and combating of juvenile and gang crime

The Government will allocate resources to internal security and, in particular, to the prevention and combating of juvenile and gang crime. Police appropriations will increase by more than 8 per cent compared to 2023. Additional financing will be allocated to police education and training in Swedish. In its draft budget, the Government is paying particular attention to providing the police with the resources to investigate and prevent juvenile and gang crime. In order to reinforce internal security, the Government will allocate additional resources to developing prisons and to the appropriations for rehabilitation during imprisonment. With regard to criminal policy, the Government will secure the necessary resources for legislative drafting. Project financing will be provided to prevent juvenile crime, and more resources will be allocated to drug education. The

Government will also provide financing for youth work carried out in schools and educational institutions, which plays an important preventive role.

The Government will secure the resources for national rescue worker training in Finnish and Swedish. In its budget session, the Government decided to increase the appropriations for rescue worker training by EUR 3.5 million relative to the technical spending limits. The additional appropriations will be allocated to both Helsinki and Kuopio. An appropriation increase of EUR 1.5 million compared to the Ministry of Finance's budget proposal will increase the number of border guards to 3,100 person-years. The Government will also ensure the technical capacity of Finnish Customs and allocate additional resources to combating the shadow economy.

The draft budget allocates EUR 259 million to the Defence Forces to replace the capabilities delivered to Ukraine.

Draft budget for 2024 approximately EUR 11.5 billion in deficit

The budget proposal for 2024 totals EUR 87.9 billion. which is EUR 4.6 billion higher than the sum budgeted for 2023, including the second supplementary budget. Growth in the level of appropriations compared to 2023 is mainly explained by changes in central government funding of wellbeing services counties.

The budget proposal for 2024 is EUR 11.5 billion in deficit. The deficit is at the same level as in the technical General Government Fiscal Plan published in the spring.

Central government on-budget expenditure is expected to average approximately EUR 87.6 billion at 2024 prices over the 2024–2027 spending limits period. On-budget expenditures in 2027 are forecast to be EUR 86.9 billion at the 2024 price level, which is some EUR 1.5 billion smaller than in the technical public finances plan for the spring.

In the budget proposal, the expenditure policies listed in Annex B to the Government Programme will yield net savings of just under EUR 1 billion in on-budget entities. The impact of the spending decisions of the Government Programme by the end of the spending limits period in 2027 will be just over EUR 2 billion at the 2024 price level and EUR 2.5 billion nominally.

The average central government on-budget deficit during the period 2024–2027 is estimated at around EUR 11.5 billion each year.

Over the past year, general interest rates have risen sharply as central banks have tightened their monetary policy to fight inflation. Short-term interest rates are expected to decline during the spending limits period, and long-term interest rates will remain almost unchanged. Changes in general interest rates are reflected with a delay in central government debt servicing expenditure.

The impact of higher interest rates has not yet been fully reflected in central government debt servicing expenditure. Central government interest expenditure is, therefore, projected to rise from the EUR 2.3 billion projected for 2023 to around EUR 3.7 billion at the end of the spending limits period. The reduction of the deficit will contribute to reducing upward pressure on interest expenditure so that interest expenditure will be EUR 0.1 billion lower at the end of the review period than anticipated in spring.

Central government on-budget revenue, expenditure and balance, EUR billion

	2023 B+SBP2	2024 BP	2025 GGFP	2026 GGFP	2027 GGFP
Revenue (excl. net borrowing)	73.1	76.3	77.5	79.9	81.9
Expenditure[1]	83.2	87.9	90.2	91.1	92.5
Balance	-10.2	-11.5	-12.7	-11.2	-10.6

Expenditure converted into current prices using the central government expenditure price index projection of the Ministry of Finance, which provides a rough estimate of price trends over the spending limits period.

Taxation policy aims to increase purchasing power and boost economic growth

Government taxation policy will seek to boost the purchasing power of households, improve incentives for working, and strengthen conditions for economic growth. Government taxation policy will encourage work and self-employment, and support domestic ownership. The Government will avoid discretionary measures that increase the overall tax rate. The municipalities will be compensated for the tax revenue impact of changes made by the Government to tax criteria.

Central government revenue in 2024 is estimated at EUR 76.3 billion, of which tax revenue will account for EUR 66.8 billion. On-budget revenue will grow by an average of 2 per cent annually in 2025–2027, with a forecast of EUR 81.9 billion in 2027, of which EUR 73.6 billion will be tax revenue.

The Government Programme includes taxation measures to take effect both in 2024 and later in the spending limits period. In accordance with the Government Programme, an index revision will be made annually to earned income tax bases at all income levels. Taxation of work will be gradually eased over the electoral period, with an emphasis on low and middle-income earners. The Government has decided to implement a tax increase corresponding to the 0.2 per cent reduction of unemployment insurance contributions in the same year as the reduction is implemented. This increase will be implemented through the scaling of the index adjustment to earned income taxation.

The earned income tax credit will be increased by some EUR 100 million annually to a total of some EUR 400 million. This will ease taxation of work by an average of nearly 0.5 percentage points by the end of the government term, and by almost 1 percentage point for annual incomes of approximately EUR 20,000–25,000. A child supplement to the earned income tax credit will also be introduced in 2025.

Measures that will reduce tax revenues and are due to take effect in 2024 also include continuing the temporary increase in the tax credit for household expenses and expanding the scope of the tax credit to physiotherapy and occupational therapy services provided in the home, increasing the deposit cap on equity savings accounts, increasing the equalisation provision for agriculture and continuing the temporary halving of fairway dues.

The payment period for inheritance tax will be increased to 10 years in 2024. An amendment to alcohol taxation will increase the tax on wines and spirits and reduce the tax on beer. The tax treatment of rental income from agriculture will be harmonised with other forms of rental income.

Excise duty on transportation fuels will be reduced as of the beginning of 2024 to compensate for the average fuel price increase over the spending limits period arising from the upward trend in the distribution obligation under the Government Programme. This will result in a fall in excise duty revenues of just under EUR 170 million. The change in fuel excise duty will be permanent. The CO2 component of fuel tax will also be reduced by EUR 100 million later in the government term.

Measures increasing tax revenues in 2024 will include continuing the 2 percentage point temporary increase in the highest income bracket in the central government income tax scale, increasing the commuting expenses deduction threshold, and reallocating the age-based increased earned income tax credit. Nicotine pouches will also be brought within the scope of tobacco taxation.

Changes that increase tax revenues and are due to take effect later in the spending limits period include assigning commodities (excluding newspapers and magazines) currently subject to a 10 per cent reduced VAT rate to a 14 per cent tax rate, increasing taxes on tobacco and soft drinks, expanding the tax liability of buyers in the online sale of alcohol, reviewing the tax rate and introducing a second tax bracket for mined minerals, introducing a vignette, and reforming bonus practices in the financial sector. Changes that reduce tax revenues and are due to take effect later in the spending limits period include reducing the basic motor vehicle tax; switching to a 14 per cent VAT rate for incontinence, sanitary pads and children’s nappies; and increasing the forest tax credit.

The lower limit for general ground area real estate tax will be increased to 1.3 per cent in 2024. The increase will affect taxation in the 245 municipalities where the general real estate tax rate is currently lower than this and will increase real estate tax revenues collected for ground areas in these municipalities.

The introduction of a global equalisation tax on large groups based on the basis of an EU directive will also increase the central government's tax revenues during the spending limits period.

Finances of the wellbeing services counties

According to the current estimate, the universal funding of the wellbeing services counties will total approximately EUR 24.7 billion in 2024. The change will be around EUR 4 billion compared to the approved 2023 Budget. About half of this increase can be explained by the fact that approximately EUR 1.9 billion of the funding for 2023 was paid in advance in the 2022 Budget. In addition, there will be a general increase in the funding base of the wellbeing services counties on account of an adjustment to the costs transferred from the municipalities, and a one-off item will be paid to correct the funding for 2023. These measures will amount to approximately EUR 1.2 billion, of which a one-off item of EUR 551 million will be entered in the accounts of the wellbeing services counties as income for 2023. The statutory increases of about EUR 0.9 billion that result from the growth in the level of costs and the need for services will also raise the level of funding.

Making the university hospital supplement one of the factors for determining funding will increase imputed funding by around EUR 130 million. The supplement will decrease universal funding through transitional equalisations by about EUR 104 million. This means that the university hospital supplement will have the net effect of increasing funding by approximately EUR 26 million.

The changes in the duties of the wellbeing services counties will total around EUR 5 million in net terms. Therefore, the central government funding for the wellbeing services counties that is entered in the accounts as income for 2024 will increase by a total of about EUR 1 billion compared to the counties' corresponding level in 2023.

In the spending limits proposal, the 2027 level is EUR 24.8 billion, which is about EUR 0.4 billion less than in the technical General Government Fiscal Plan for spring 2023. During the spending limits period, the funding of the wellbeing services counties will increase particularly as a result of the adjustment to the costs transferred from the municipalities to the counties, the rise in costs (index increase), the projected increase in the need for services, funding related to new and expanding duties, and including the university hospital supplement as part of imputed funding from 2024 onwards. Amendments to the legislation on functions that were agreed in the Government Programme will in turn decrease the funding during the spending limits period. Discretionary government grants totalling approximately EUR 370 million in 2024 will also be allocated to the wellbeing services counties, gradually phasing down to a little more than EUR 205 million by the end of the spending limits period.

The wellbeing services counties' development measures are listed separately in the section on health and social services of the table on structural adjustment efforts in Annex B to the Government Programme. The Ministry of Finance has estimated the savings potential of these measures to be EUR 0.9 billion at the 2027 level. These measures seek to strengthen the finances of the wellbeing services counties by improving the efficiency of their operations, reforming their operating practices and increasing cooperation between the counties.

The wellbeing services counties will decide on the means by which they will carry out reforms and structural adjustment efforts, and the actual impacts of these measures and the relevant implementation schedules will vary by region. It is assumed that the counties' reform and structural adjustment efforts will slow the rise in costs from 2024 onwards. However, the impact of these measures have not bee taken into account in the General Government Fiscal Plan, but the savings from the measures will be realised in the universal central government funding of the wellbeing services counties on the basis of an ex-post revision.

A spending limits provision has been made for possible ex-post revisions that is not available for other expenditure.

Municipal finances

The Government proposes a total of EUR 5.1 billion in discretionary government grants to municipalities in 2024. Of that amount, imputed central government transfers account for around EUR 3.7 billion, compensation to municipalities for tax revenue losses for around EUR 0.9 billion and other government grants for around EUR 0.6 billion. At the end of the spending limits period in 2027, government grants to municipalities will amount to a total of approximately EUR 6.2 billion, of which imputed central government transfers will account for EUR 4.6 billion. During the spending limits period, the level of government grants will particularly be affected by the TE services reform. In addition, the Government Programme of Prime Minister Orpo's Government includes measures that will result in both an increase and a decrease in the number of tasks for municipalities.

The proposed amount of central government transfers to municipalities for basic public services in 2024 is EUR 2.5 billion, which is around EUR 290 million less than in the 2023 Budget. The decrease is attributable to a revision of transfers associated with the health and social services reform, carried out based on the outturn data provided by municipalities for 2022. The index increase in central government transfers for basic public services would result in an increase of

EUR 53 million in central government transfers, but the index increase will be EUR 24 million less than this, because a saving corresponding to an increase of one percentage point will be made for the index increase in accordance with the Government Programme.

In 2024, the net impact of central government measures will slightly strengthen municipal finances compared with the 2023 Budget. The increase in the lower limit for ground area real estate tax will strengthen municipal finances more than the index saving targeted at central government transfers for basic public services will weaken them.

Selected items

The Government will continue to implement and further develop the METSO Forest Biodiversity Programme for Southern Finland, the Helmi Habitats Programme and the NOUSU Migratory Fish Programme with an additional annual investment of EUR 10 million. The Government will also invest in the Archipelago Sea Programme, which seeks to accelerate the processes related to biogas, carbon sequestration, biomass and nutrient cycles.

Damage to reindeer caused by large carnivores will be compensated in full.

Through an amendment to the budget allocation table of the Development Fund of Agriculture and Forestry (Makera), EUR 18 million will be allocated for agricultural investment grants in accordance with the CAP Strategic Plan to secure energy investments. Liquidity loans for farms will be introduced by allocating a maximum of EUR 15 million for this purpose. The need for liquidity may be highlighted especially on farms that are of great importance for securing the future of food production.

The Government will ensure permanent funding for food aid to help the most deprived persons by allocating EUR 3 million for this purpose.

The Government will reserve EUR 6 million for the implementation of the Government statement to Parliament on promoting equality, gender equality and non-discrimination in Finnish society. As part of the appropriations for implementing the statement, EUR 400,000 per year will be allocated for ensuring the safety of Jewish parishes. The Government will allocate EUR 1.3 million for promoting the truth and reconciliation process concerning the Sami people in 2024. EUR 0.9 million will be allocated for promoting the truth and reconciliation process concerning deaf people.

The Government will invest in the Get Finland Moving programme. An annual appropriation of EUR 20 million will be allocated for the implementation of the programme.

Additional funding will be allocated for improving patient and client safety in the wellbeing services county of Ostrobothnia.

Funding for women's organisations will be secured with a permanent appropriation increase of EUR 400,000.

The Government will launch the Health Sector Growth Strategy with an annual investment of EUR 5 million.

The continuation of regional flights will be secured with outsourced services for a fixed period until spring 2026. An appropriation of EUR 38 million will be allocated for this purpose.

An appropriation increase of EUR 1 million will be allocated for bolstering the Work in Finland programme.

The Government will abolish the fees for language certificates required of central government personnel.

The Government will allocate EUR 1 million in additional funding for integration training in Swedish in 2024.

Central government funding for shelter activities will be increased by EUR 1 million per year.

Government also reached agreement on second supplementary budget proposal for 2023

The supplementary budget proposal includes additional appropriations for 2023 to cover the cost of defence materiel support to Ukraine (EUR 9.3 million) and the cost of avian influenza (EUR 11.7 million).

In transport, increases are proposed for projects such as the restoration of the Oulu–Laurila railway line (EUR 50 million) and the rebuilding and repair of bridges (EUR 13 million). Authorities are also proposed for deepening the fairway to Koverhar (EUR 2.5 million) and for planning the project concerning the Hirvas–Rovaniemi–Vikajärvi section of main road 3 (EUR 4.6 million).

The biggest increases in appropriations are related to changes in the needs assessments concerning various benefits, several re-budgeting and timing changes of previously allocated appropriations, and index adjustments made especially to expenditure in the administrative branch of the Ministry of Defence (EUR 131 million).

Appropriations will be reduced by updated estimates of the need for support measures that were decided last winter in order to address the increase in electricity prices, and by a revision of the level of EU membership fees and the estimated interest rate (EUR -268 million). The needs assessment concerning unemployment security expenditure will also be reduced.

The Government proposes that the funding of the wellbeing services counties be reduced by approximately EUR 12.7 million due to measures based on the Government Programme, as the entry into force of the reformed Act on Disability Services and Assistance will be postponed to 1 January 2025 and the entry into force of the minimum staffing level rule (0.7) for care personnel will be postponed to 1 January 2028.

The Government proposes reducing the tax revenue estimate by a total of EUR 503 million, and increasing the estimate of miscellaneous revenue by EUR 432 million and the estimate of interest income by EUR 102 million. The Government further proposes in its tax revenue estimate that value-added tax revenue from individual tax categories be reduced by EUR 393 million and corporate tax revenue by EUR 259 million, particularly owing to poorer than anticipated accrual data. By contrast, an increase of EUR 465 million is proposed for the earned income and capital income tax revenue.

In total, the increase of EUR 31 million in actual revenues and the decrease of EUR 216 million in appropriations would reduce the central government's net borrowing requirement by EUR 248 million. Net borrowing in 2023 is expected to total about EUR 10.2 billion.

The Government will allocate EUR 7 million as a national contribution to crisis support for young farmers. It will allocate EUR 3 million to a growth programme for the food sector and to the preparation and implementation of a long-term strategy for domestic food production.

The government proposal on the second supplementary budget for 2023 will be submitted to Parliament on 21 September 2023.

Finland's economic situation will be weak towards the end of the year but the outlook will improve in 2024

The rise in prices and interest rates has cut household consumption and reduced private investment especially in housing construction. The economic situation will deteriorate towards the end of 2023. However, economic recovery in Europe and the growth in world trade alongside pay rises and a slower rate of inflation will improve Finland's economic outlook in 2024. Despite deterioration of the labour market situation over the summer 2023, employment remains at a good level and will pick up as the economic outlook improves.

Although the investment situation is currently particularly weak especially because of the decline in construction, it will improve in the next few years. Investments will be made in the energy transition, and the construction industry will recover because demand for new housing will outstrip supply this year and next year.

However, Russia's invasion of Ukraine, geopolitical risks and environmental risks will cause uncertainty and increase economic disturbances. Demand for Finnish exports in the global economy may turn out to be weaker than expected. The downturn in construction may also prove to be more severe than forecast, dragging down overall economic development. However, investments may grow surprisingly well, as there is a record number of investment plans in place in Finland.

State of general government finances is weaker than last year

The budgetary position of Finland's general government finances will weaken this year compared to 2022 as the economic situation is declining and tax revenue is growing slower than before. In addition, many earlier decisions and the inflation-driven growth in spending will weaken Finland's budgetary position.

The state of general government finances will remain weak in the next few years, despite the Government's measures to strengthen it. The state of general government finances will begin to improve once the economy recovers and the Government's structural adjustment efforts begin to take effect.

The general government debt-to-GDP ratio has reached a historically high level due to both structural reasons and the many crises in the early years of this decade. Despite the Government's structural adjustment efforts, the growth of the debt ratio shows no sign of halting.

General Government Fiscal Plan sets targets for general government finances

The General Government Fiscal Plan also includes Finland's Stability Programme and the Draft Budgetary Plan for 2024, which will be submitted to the EU. The General Government Fiscal Plan comprises multiannual targets for general government budgetary position, expenditure and debt as well as targets for each of the subsectors of general government finances. These targets will be in line with the target for the general government budgetary position (-1% of GDP) defined in the Government Programme. The medium-term budgetary objective will remain unchanged (structural budgetary position at -0.5% of GDP), but it will not be reached until after 2027.

Handling of budget proposal for 2024 and General Government Fiscal Plan for 2024–2027

The estimates given above are preliminary. The Government will debate the budget proposal and the General Government Fiscal Plan at its plenary session on 9 October. The budget proposal will be released online at budjetti.vm.fi and the General Government Fiscal Plan at https://vm.fi/en/central-government-spending-limits.

The Economic Survey by the Ministry of Finance will be published in connection with the budget proposal on 9 October.