

Quarterly local government finances

2019, 2nd quarter

Operating expenses of municipalities in Mainland Finland grew by 4.4 per cent in January to June 2019

In January to June 2019, the external operating expenses of municipalities in Mainland Finland were 4.4 per cent higher than in the corresponding period of the previous year. External operating revenue declined by 3.4 per cent. Municipalities received a total of EUR 11.9 billion in tax revenue and EUR 4.5 billion in central government transfers to local government. The external operating expenses of joint municipal authorities grew by 8.2 per cent and operating revenue by 7.2 per cent.

External quarterly data on the finances of municipalities and joint municipal authorities, EUR million¹⁾

	2nd quarter			
	Municipalities		Joint municipal authorities	
	2019	Change, %	2019	Change, %
Operating revenue total	3 410	-3,4	8 229	7,2
Operating expenses total	19 149	4,4	7 866	8,2
Annual contribution margin	1 050	-35,1	323	-14,9
Loan stock	18 026	13,4	4 225	14,8

1) Operating expenses include expenses from production for own use. The change is calculated compared with the corresponding period in the previous year.

Finances of municipalities and joint municipal authorities

The external operating expenses of municipalities in Mainland Finland amounted to EUR 19.1 billion during the first six months of 2019. Compared with the first six months of the previous year, the expenses were 4.4 per cent higher. Operating revenue declined by 3.4 per cent to EUR 3.4 billion. Certain recording procedures used in the comparison year in part increased the operating revenue and expenses of the comparison year. The discontinuation of these procedures decreases the operating revenue and expenses in 2019 compared to the previous year.¹⁾ The operating margin weakened by 6.3 per cent and totalled EUR -15.6 billion.

1) In 2018, a number of municipalities transferred the responsibility for the organisation of healthcare and social welfare services to the joint municipal authority they had set up, but municipalities were still responsible for producing the services. Municipalities recorded sales revenue and purchases of services from joint municipal authorities on a gross basis. This recording procedure increased municipalities' external operating revenue and expenses, but it did not have a net effect on the operating margin. In 2019, the production of the services was transferred to the joint municipal authority, which decreases the operating revenue and

Municipalities recorded EUR 11.9 billion in tax revenue in January to June 2019. Tax revenue grew by 2.3 per cent year-on-year.²⁾ Municipalities received EUR 4.5 billion in central government transfers to local government, which was 0.9 per cent more than in the first six months of the previous year. Tax funding formed of tax revenue and central government transfers to local government was EUR 2,979 per capita, on average, in the municipalities.³⁾ The annual contribution margin weakened by 35.1 per cent from the previous year and was EUR 1.0 billion.

The loan stock of municipalities in Mainland Finland was EUR 18.0 billion at the end of June. Compared to the end of March, the loan stock increased by 2.2 per cent. The loan stock per capita was EUR 3,284.⁴⁾ In January to June 2019, the investment expenses of municipalities amounted to EUR 1.5 billion. They grew by 22.2 per cent from the corresponding period in 2018.

The external operating expenses of joint municipal authorities in Mainland Finland grew by 8.2 per cent from the previous year and amounted to EUR 7.9 billion during the first six months of 2019. Operating revenue increased by 7.2 per cent to EUR 8.2 billion.

In January to June 2019, the investment expenses of joint municipal authorities in Mainland Finland amounted to EUR 0.5 billion, and they increased by 10.9 per cent from the corresponding period of the previous year. At the end of June, joint municipal authorities' loan stock totalled EUR 4.2 billion. The loan stock grew by 7.4 per cent from the end of the previous quarter.

Information on the statistics

The statistics on quarterly local government finances are in the first to third quarters a sample survey that describes the development of the finances of municipalities and joint municipal authorities in Mainland Finland by quarter. For the statistical release on the fourth quarter, data are collected from all municipalities and joint municipal authorities in Mainland Finland. The data in the statistics on quarterly local government finances are preliminary and they might become revised in coming publications.

No data are released by municipality or joint municipal authority for the 1st, 2nd and 3rd quarters that are based on a sample survey. The financial statement estimate data received from municipalities and joint municipal authorities in the data collection concerning the fourth quarter will be released at unit level starting from data concerning 2017 on Statistics Finland's website in the database [Data on finances reported by municipalities and joint municipal authorities](#).

The data published in the statistics on quarterly local government finances are not directly comparable with the data of the statistics on local government finances by quarter because of the different way of handling local government enterprises. In the statistics on quarterly local government finances, local government enterprises are combined with the data on basic municipalities and joint municipal authorities, while this was not done in the statistics on local government finances by quarter published between 2013 and 2015.

expenses of the municipalities compared to the previous year. According to the estimate, without this exceptional arrangement during the comparison year, the operating revenue would not have decreased, and operating expenses would have grown more during the first half of 2019.

2) The renewals implemented in 2019 may cause differences in the periodic division of tax accounts compared to the comparison year.

3) The population data used were the population of Mainland Finland on 31 December 2018.

4) The population data used were the population of Mainland Finland on 31 December 2018.

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Appendix tables

Appendix table 1. External quarterly data on the finances of municipalities and joint municipal authorities in Mainland Finland (internal items eliminated), EUR million¹⁾

	2nd quarter			
	Municipalities		Joint municipal authorities	
	2019	Change, %	2019	Change, %
Operating margin (+/-)	-15 630	6,3	367	-11,1
Tax revenue	11 900	2,3		
Central government transfers to local government	4 452	0,9		
Financing income	424	13,4	9	-51,2
Financing expenses	96	2,2	52	3,5
Annual contributing margin (+/-)	1 050	-35,1	323	-14,9
Depreciations and reductions in value	1 075	5,4	285	-3,2
Extraordinary items (+/-)	117	461,8	0	86,7
Financial result for the accounting period (+/-)	92	-85,1	38	-55,4
Investment expenses total	1 518	22,2	524	10,9
Loan stock, at the end of the quarter	18 026	13,4	4 225	14,8

1) Local government enterprises were combined to the data and internal items were eliminated. Changes are calculated compared to the previous year.

Appendix table 2. Quarterly data on the finances of municipalities and joint municipal authorities in Mainland Finland (incl. internal items), EUR million¹⁾

	2nd quarter			
	Municipalities		Joint municipal authorities	
	2019	Change, %	2019	Change, %
Income statement:				
Operating revenue total	5 582	-3,0	9 011	6,7
Sales revenue	2 275	-9,3	8 222	6,8
Fees and charges	731	-3,9	365	6,1
Subsidies and grants received	266	30,3	120	25,5
Other operating revenue	2 310	1,3	304	-1,5
Change in inventories of finished goods and of work in progress (+/-)	0		1	-159,4
Production for own use	109	4,4	3	7,7
Operating expenses total	21 321	3,7	8 648	7,6
Personnel expenses	6 607	1,2	3 680	6,2
Purchases of customer services	7 341	7,6	1 224	8,0
Purchases of other services	3 448	3,1	2 005	12,7
Materials, supplies and goods	921	-3,7	1 053	1,6
Allowances and grants	1 054	2,6	153	39,7
Other operating expenses	1 951	3,4	533	3,8
= Operating margin (+/-)	-15 630	6,3	367	-11,1

1) Data include local government enterprises and internal items between different functions of the municipality/joint municipal authority. Operating expenses include expenses from production for own use. Changes are calculated compared to the previous year.

Revision of data

Change from first release¹⁾

Area	Item	Year	Quarter	1st release, EUR million	Latest release, EUR million	Revision of data, EUR million	Revision of data, %
Municipalities	Operating revenue total	2018	2	3 366	3 532	166	4,9
			3	4 972	5 240	268	5,4
			4	7 484	7 495	11	0,1
		2019	1	1 602	1 603	1	0,0
	Operating expenses total	2018	2	18 176	18 345	169	0,9
			3	27 039	27 322	284	1,0
			4	36 865	36 875	9	0,0
		2019	1	9 304	9 305	1	0,0
	Loan stock, at the end of the quarter	2018	2	15 899	15 897	-3	0,0
			3	15 733	15 729	-4	0,0
			4	16 731	16 631	-100	-0,6
		2019	1	17 633	17 642	9	0,1
Joint municipal authorities	Operating revenue total	2018	2	7 489	7 677	188	2,5
			3	11 233	11 459	226	2,0
			4	15 361	15 356	-6	0,0
		2019	1	4 135	4 093	-42	-1,0
	Operating expenses total	2018	2	7 084	7 267	183	2,6
			3	10 643	10 875	233	2,2
			4	14 716	14 704	-12	-0,1
		2019	1	3 759	3 758	-1	0,0
	Loan stock, at the end of the quarter	2018	2	3 681	3 681	0	0,0
			3	3 791	3 791	0	0,0
			4	3 856	3 855	-1	0,0
		2019	1	3 934	3 934	0	0,0

1) Local government enterprises were combined to the data and internal items were eliminated.

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