

Quarterly local government finances

2020, 2nd quarter

Operating expenses of municipalities in Mainland Finland grew by 0,3 per cent in January to June 2020

Corrected on 18 August 2020 at 13:15. The correction is indicated in red.

The external operating expenses of municipalities in Mainland Finland went up by 0.3 per cent in the first half of 2020 from the corresponding period of one year earlier. External operating revenue decreased by 2.4 per cent. Municipalities' tax revenue totalled EUR 11.7 billion and central government transfers to local government EUR 5.1 billion. The external operating expenses of joint municipal authorities grew by 0.2 per cent, while their operating revenue decreased by 3.4 per cent. These data appear from Statistics Finland's statistics on quarterly local government finances, for which data were collected from 80 municipalities and 69 joint municipal authorities in Mainland Finland.

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

	2nd quarter			
	Municipalities		Joint municipal authorities	
	2020	Change, %	2020	Change, %
Operating revenue total	3 294	-2,4	7 948	-3,4
Operating expenses total	19 152	0,3	7 877	0,2
Annual contribution margin	1 356	27,7	32	-90,2
Loan stock	19 620	8,9	5 046	19,4

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 totalled EUR 19.2 billion in the first half of 2020. The sum was 0.3 per cent higher than during the corresponding period of the year before. External operating revenue amounted to EUR 3.3 billion and decreased by 2.4 per cent. The effects of the corona epidemic were visible in municipalities' operational economy at least as a decrease in operating revenue. The epidemic has had both a decreasing and increasing impact on operating expenses.

Municipalities received EUR 11.7 **billion** in tax revenue in January to June this year, which was 1.3 per cent less than in the previous year's January to June period. Central government transfers received by

municipalities grew by 14.3 per cent to EUR 5.1 billion. The annual contribution margin grew by EUR 0.3 billion and was EUR 1.4 billion. Tax revenues reduced partly due to payment arrangements and postponements of payments to alleviate the effects of the coronavirus epidemic. The State compensates municipalities for the delayed tax revenue caused by these measures by increasing central government transfers to municipalities in 2020, starting from May. The compensation is deducted from central government transfers to local government in the following year.

During the first half of 2020, municipalities had EUR 1.7 billion in investment expenses. Compared with the previous January to June period, the growth was 13.8 per cent. The loan stock grew by 2.4 per cent over the past three months and stood at EUR 19.6 billion at the end of June. The loan stock was EUR 3,570 per capita.¹⁾

The external operating expenses of joint municipal authorities in Mainland Finland totalled EUR 7.9 billion in January to June 2020. Expenses increased by 0.2 per cent compared to the corresponding period of the previous year. External operating revenue decreased by 3.4 per cent to EUR 7.9 billion. The effect of the corona epidemic on operating revenue seems to have been similar in joint municipal authorities as in municipalities.

Joint municipal authorities' investment expenses amounted to EUR 0.6 billion during the period from the beginning of 2020 to the end of June and they grew by 13.8 per cent from the first half of the comparison year. At the end of June, the loan stock stood at EUR 5.0 billion. The growth from the end of March of the same year amounted to 4.7 per cent.

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.

1) The population data used were the population of Mainland Finland on 31 December 2019.

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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	
	2020	Change, %	2020	Change, %
Operating margin (+/-)	-15 733	0,7	75	-79,6
Tax revenue	11 742	-1,3		
Central government transfers to local government	5 089	14,3		
Financing income	389	-7,9	8	-7,6
Financing expenses	130	42,2	51	-2,2
Annual contributing margin (+/-)	1 356	27,7	32	-90,2
Depreciations and reductions in value	1 115	3,5	307	7,4
Extraordinary items (+/-)	0	-99,6	5	-8 633,9
Financial result for the accounting period (+/-)	242	133,9	-270	-798,1
Investment expenses total	1 726	13,8	594	13,8
Loan stock, at the end of the quarter	19 620	8,9	5 046	19,4

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	
	2020	Change, %	2020	Change, %
Income statement:				
Operating revenue total	5 458	-1,5	8 893	-2,1
Sales revenue	2 151	-3,8	8 115	-1,9
Fees and charges	612	-16,3	332	-9,1
Subsidies and grants received	301	14,1	86	-26,4
Other operating revenue	2 394	3,6	360	9,3
Change in inventories of finished goods and of work in progress (+/-)	0		0	-58,4
Production for own use	126	15,6	3	-0,3
Operating expenses total	21 316	0,2	8 822	1,1
Personnel expenses	6 612	0,4	3 740	1,6
Purchases of customer services	7 453	1,4	1 163	-5,0
Purchases of other services	3 262	-4,6	2 100	2,2
Materials, supplies and goods	888	-3,2	1 040	-1,2
Allowances and grants	1 095	4,1	173	12,8
Other operating expenses	2 006	3,1	606	8,4
= Operating margin (+/-)	-15 733	0,7	75	-79,6

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⁾

				1st release, EUR million	Latest release, EUR million	Revision of data, EUR million	Revision of data, %
Area	Item	Year	Quarter				
Municipalities	Operating revenue total	2019	2	3 410	3 375	-35	-1,0
			3	5 045	5 055	11	0,2
			4	7 194	7 193	-1	0,0
		2020	1	1 622	1 610	-12	-0,7
	Operating expenses total	2019	2	19 149	19 102	-47	-0,2
			3	28 395	28 427	32	0,1
			4	37 814	37 814	0	0,0
		2020	1	9 499	9 508	9	0,1
	Loan stock, at the end of the quarter	2019	2	18 026	18 010	-15	-0,1
			3	18 739	18 727	-12	-0,1
			4	18 440	18 439	-1	0,0
		2020	1	19 132	19 155	23	0,1
Joint municipal authorities	Operating revenue total	2019	2	8 229	8 226	-4	0,0
			3	12 269	12 264	-5	0,0
			4	16 410	16 482	71	0,4
		2020	1	4 113	4 114	1	0,0
	Operating expenses total	2019	2	7 866	7 862	-5	-0,1
			3	11 771	11 763	-8	-0,1
			4	15 836	15 858	22	0,1
		2020	1	3 849	3 850	1	0,0
	Loan stock, at the end of the quarter	2019	2	4 225	4 225	0	0,0
			3	4 299	4 299	0	0,0
			4	4 564	4 683	119	2,6
		2020	1	4 818	4 818	0	0,0

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

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Source: Quarterly local government finances, 2nd quarter 2020, Statistics Finland