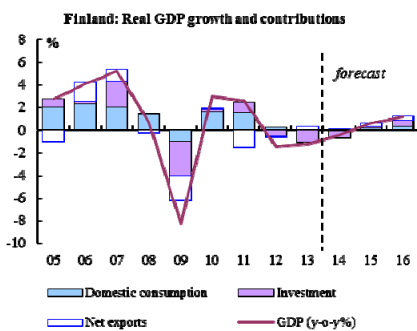


INVESTMENT IN FINLAND

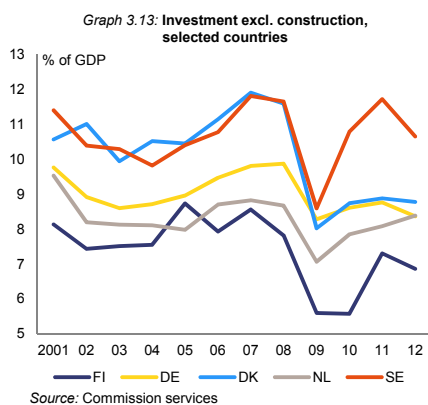
What is the situation in Finland?



Source: European Commission 2014 Autumn Forecast

Investment in Finland is below the levels we have seen in recent years. However, as over the past decade, the share of investment stood at 21.2% of GDP in Finland in 2013, above the euro area average of 19.6%. Due to a lack of demand, investment in equipment and non-housing construction (which is around half of overall investment in Finland) is significantly lower now compared to before the crisis. The amount of construction of new housing is also below average, but the renovation of buildings is picking up the trend in residential investment. Spending cuts by government restrain infrastructure investment, although there are some major projects ongoing such as the extension of the metro line and the airport railway connection in Helsinki.

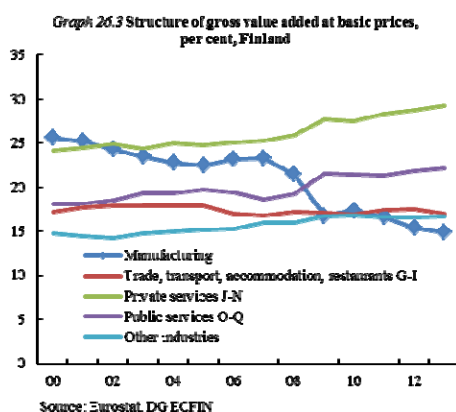
What is the main challenge?



Source: Commission services

The main investment challenge is related to the need to increase the restructuring and diversification of the production side of the economy after the shocks from the downsizing of the ICT and forestry sectors. Accordingly, the share of investment (not including construction) has been lower than in similar economies over the past decade. Although Finland ranks high in all competitiveness surveys and investment in R&D is among the highest, the country still faces challenges to convert high R&D investment into successful export products and services. Limited investment in production capacity over recent years could be one possible explanation. Another challenge is in the energy sector. Finland could benefit from diversifying its energy supply, particularly as it relies on a single gas source - Russia. Investment in LNG terminals could be one way of diversifying energy supply in medium term.

Opportunities for investment



Source: Eurostat, DG ECFIN

Recent success stories can be found mainly in the ICT-related services sector, such as the gaming industry. These industries invest modestly in physical capital, but a well-functioning infrastructure for companies in the service sector is a necessity. There are also particular strengths in manufacturing, which is still driving a large share of growth in real production. In manufacturing, much of the focus has recently been on investing in clean technology products and a better use of ICT in manufacturing processes. Quality of education and training systems is also an asset for Finland that should be maintained despite decreasing public spending. Maintaining this high level of quality and improving the employability of the whole working age population will also be key issues to ensure long term growth prospects in Finland in a context of shrinking labour force.

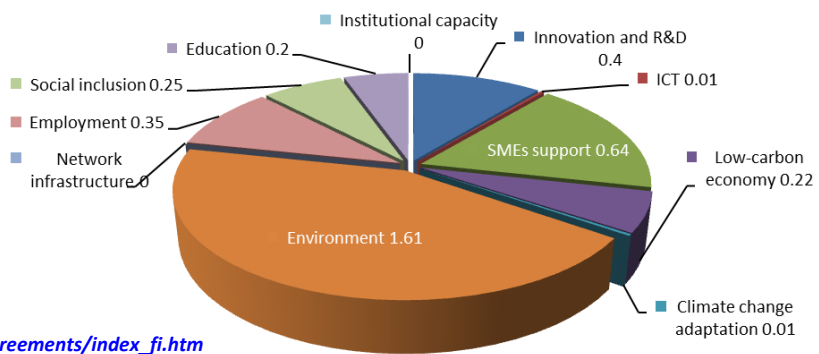
Reforms for investment

In the Country Specific Recommendations for Finland, the European Union recommended

<ul style="list-style-type: none"> Limit the emerging gap relative to the medium-term objective and ensure that the debt criterion is fulfilled, while pursuing a growth-friendly fiscal policy 	<ul style="list-style-type: none"> Enhance competition in product and service markets
<ul style="list-style-type: none"> Ensure effective implementation of the ongoing administrative reforms 	<ul style="list-style-type: none"> Boost the capacity to deliver innovative products and services, in particular by improving the business environment to strengthen investment
<ul style="list-style-type: none"> Improve the use of the full labour force potential 	<ul style="list-style-type: none"> Step up the development of the cross-border gas connection to Estonia

EU funding for investment

2014 - 2020
in billion EUR



Source: Partnership Agreement:
http://ec.europa.eu/contracts_grants/agreements/index_fi.htm

Past or ongoing projects for investment

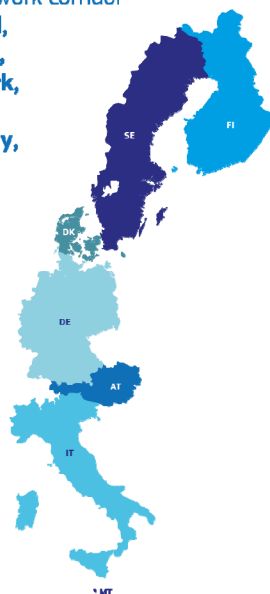
Gas interconnections

Interconnector "Baltic connector".
Commissioning dates:
31.12.2015 and 31.12.2016
(Estonia, Finland)



Transport interconnections

Connecting Europe Facility:
"Scandinavian - Mediterranean"
core network corridor
(Finland, Sweden, Denmark, Austria, Germany, Italy, Malta)



Technological interconnections

Targeting the set-up of new manufacturing capacities of electronic chips in Europe: under preparation for a submission to the Commission in 2015.
(France, Germany, UK, The Netherlands, Belgium, Austria, Italy, Finland, Ireland)

