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Finland, the world's happiest nation, faces a glum winter

全球最幸福國家芬蘭面臨陰郁寒冬

難度 高階 · IELTS 7-8 · TOEFL 5-6 · KAOYAN 65-80 · CET-6 500-550+

There's an uneasy mood in Finland , the country that's ranked the world's happiest for nine consecutive years . A colder-than-usual winter is on the way and so is the toughest austerity budget in years.

With an election due in April, the argument is no longer how much to cut, but which services, benefits and pensions will face the biggest cuts.

Finland's debt and deficit levels are in their worst state since the 1990s, when a banking crash and the collapse of the Soviet Union - a key export partner - pushed the Nordic nation into its own Great Depression.

Finland's debt ratio climbed sharply since the COVID-19 pandemic

Last month, Finland's national statistical institution confirmed that the national debt had reached 90.3% of gross domestic product (GDP) in the second quarter. Before the pandemic, that figure was around 65%.

Trouble to the east is, again, part of the reason. Finland ramped up defense spending after joining NATO a year after Russia's full-scale invasion of Ukraine . Helsinki, which used to rely on Moscow for about a third of its energy, also faced much higher costs as it transitioned to other suppliers.

The Finnish government has spent more than it earns since the 2008/9 global financial crisis, partly due to an aging population and sluggish economic growth. Last month, the State Treasury projected the fiscal deficit would reach 4.2% of GDP in 2026.

EU scrutiny over growing deficit

Brussels has piled pressure on Helsinki to bring down the borrowing gap, as European Union rules require member states to stay below 3% of GDP. In January, the European Council opened an excessive deficit procedure and gave Finland until the end of 2028 to reach the desired target.

Prime Minister Petteri Orpo's government, which took office in June 2023, said it would aim to save

重點詞彙

24 詞條

expenditure*
n 支出

subsidies*
n 補貼

transitioned*
v 轉型

cautioned*
v 告誡

austerity*
n 緊縮政策

sluggish*
adj 疲軟的

scrutiny*
n 審查

excessive*
adj 過度的

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about €9 billion ($10.1 billion) during this parliamentary term. But whoever wins the next election will have to cut much deeper, economists warn.

"The amounts currently estimated range from €8 to €11 billion," Jarkko Kivisto, an advisor to the Bank of Finland's monetary policy and research department, told DW.

Earlier this year, all but one political party agreed to support a debt brake, where the next government commits to tightening the country's deficit to about 2% of GDP by 2031.

Finland: Europe's race for critical raw materials

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National Coalition rules out tax hikes

To date, Orpo's center-right National Coalition is the only party to promise a further €9 billion in cuts if he wins a second term. As well as further savings from health, social care and welfare, Orpo also plans to target workplace pensions, without reducing current payouts.

While the Social Democrats plan to split the reforms between spending cuts and tax hikes, Orpo plans to achieve his target without raising taxes - meaning public services will bear the brunt.

Kivisto, however, cautioned: "The deficit is so large that it would need a package that includes tax increases and expenditure cuts."

While Finland's at-risk-of-poverty rate is lower than the EU average, unemployment is higher than anywhere else in the bloc. In August, Finland's jobless total stood at 10.3%, just above Spain's 10%, according to Eurostat, the bloc's statistics agency. Youth unemployment reached 23.3%, against an EU average of 15.4%.

With household spending already falling, Lauri Holappa, director of the Finnish Centre for New Economic Analysis, warned that a new round of austerity would be a hard blow for the domestic economy.

"More than a quarter of the population works in the public sector, so if those workers face the threat of being sacked, the savings rate will rise and private spending will drop again," Holappa told DW.

Successive pressures ranging from the COVID-19 pandemic, higher interest rates and the global financial impact of two current wars have hurt efforts to cut the growing gap between income and borrowing. The 2027 budget proposal still counts on a spending gap of €12.4 billion.

Finland rearms after Russia's full-scale invasion

Before the Ukraine war, Finland had already committed to buying 64 F-35A fighter jets from the United States, in a deal worth about €8.4 billion.

重點詞彙

24 詞條

sacked*
v 解雇

Successive*
adj 接連的

muted*
adj 温和的

premium*
n 溢價

deficit*
n 赤字

bloc*
n 集團

sustained*
adj 持續的

escalation
n 升級

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During more than four years of Russia's war in Ukraine, the Nordic nation raised military spending from $4.5 billion to over $8 billion per year, according to the Stockholm International Peace Research Institute (SIPRI).

In April, the government said it would further increase defense spending to 3.2% of GDP, close to NATO's 3.5% target.

A night in Finland's largest underground defense bunker

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With oil prices remaining close to $100 a barrel due to the Iran war , the government has so far resisted pressure to increase fuel subsidies. That's despite the Bank of Finland recording a 50% rise in the cost of imported energy in the early months of the Iran war.

While Finland’s shift to renewables, along with the opening of the Olkiluoto 3 nuclear power plant in 2023, has helped avoid a worse energy crisis, the central bank warned this summer that sustained high oil and gas prices would mean "lower economic growth and higher inflation" next year.

On another positive note, parts of Finland's export sector are booming, thanks to strong metal and shipbuilding orders, which Holappa described as strong as "the boom years of Nokia," when the once market-leading phone maker carried Finnish economic growth.

"There is a possibility that the export sector can steer us out of this recession," he told DW, as long as demand from the rest of Europe remains strong.

Markets give Helsinki time to reform

Despite the multiple roadblocks to bringing down the deficit, market reaction to Finland's debt woes has, so far, been muted. Rating agencies have kept the country's outlook stable, apart from S&P, which turned negative in April without cutting the rating.

On October 6, the premium the Finnish government pays over Germany to borrow for 10 years was 38 basis points. That compares to 128 for France and 107 for Italy. In other words, investors still treat Finnish debt as among the safest in Europe.

That is, as long as the next shock is not another extended oil-price spike, a fresh escalation from Russia, or a Europe-wide debt crisis centered on France.

Next March, Finland could still be named the planet's happiest nation for the 10th year in a row. How long the smiles last, once the bill for decades of borrowing arrives a month later, is anyone's guess.

Edited by: Kristie Pladson

重點詞彙

24 詞條

ramped up
v 大幅增加

bear the brunt
v 首當其衝

roadblocks
n 障礙

analysis
n. 分析

increase
v. 增加

rise
v. 上升

require
v. 需要；要求

impact
n. 影響；衝擊

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