



**BUSINESS  
FINLAND**

**INVEST IN  
FINLAND**

# **FINLAND AS A BUSINESS LOCATION**

**Foreign Direct Investment (FDI) Barometer  
2023**



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# Foreign investors need more skilled, available talent

Foreign-owned companies are vital to Finland's economic well-being. Foreign direct investment (FDI) not only supports economic growth, but drives R&D, jobs and innovation. It is imperative to cultivate an attractive business environment for foreign investors and Finnish multinationals alike.

The third iteration of Amcham Finland and Invest in Finland's *Barometer* identifies key strengths and weaknesses in the Finnish business environment based on survey data collected from 400 C-level executives and country managers of Finnish and foreign-owned companies in fall 2022.

Foreign-owned companies believe in Finland. Our data show that 57 percent have considered expanding their operations during the coming year, and nearly half plan to hire more personnel. Finland must make sure that businesses can succeed in these efforts.

International businesses can also support the government's ambitious R&D expenditure target. Twenty-seven percent of respondents plan to increase their R&D operations in Finland. This number could and should be higher. According to the OECD, foreign-owned companies' share of Finnish R&D has remained stagnant in recent years. Foreign-

owned enterprises accounted for 26.5 percent of business-based R&D in 2020, while in Sweden and Norway this share was 42 percent and 32 percent, respectively. Finland's new government should continue to encourage increased R&D investments with incentive-based policies and by highlighting successes.

Crucially, our data raise alarm about the availability of skilled labor in Finland. The overwhelming majority of respondents report negative effects from the talent shortage. This sentiment is particularly strong among large foreign-owned companies, 86 percent of which reported being negatively affected. There are no investments without talent. Finland must take bold steps to help companies meet their growing demand for skilled workers.

We are encouraged by the growing dialogue surrounding talent attraction and FDI. Our hope is that this report will further stimulate these discussions and pinpoint critical points of improvement in the Finnish business ecosystem. The government's role will be central in our effort to make Finland an attractive business location for companies from around the world.



**Alexandra Pasternak-Jackson**  
*CEO, Amcham Finland*

 @APJinplay

 pasternakjackson

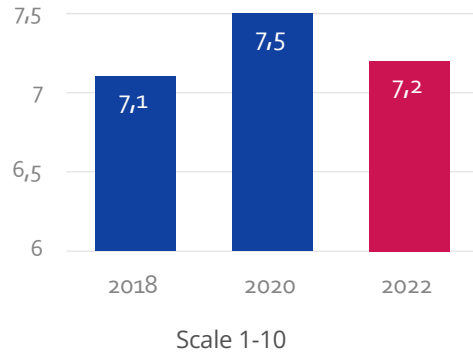


**Antti Aumo**  
*Executive Director, Invest in Finland*

 @anttiaumo

 anttiaumo

# Executive summary



The average grade for the business environment has decreased slightly since 2020.



- Societal stability and functionality
- Employee skill level
- Predictability of laws and regulations
- Quality of life
- Digital infrastructure



- Availability of skilled labor
- Labor costs

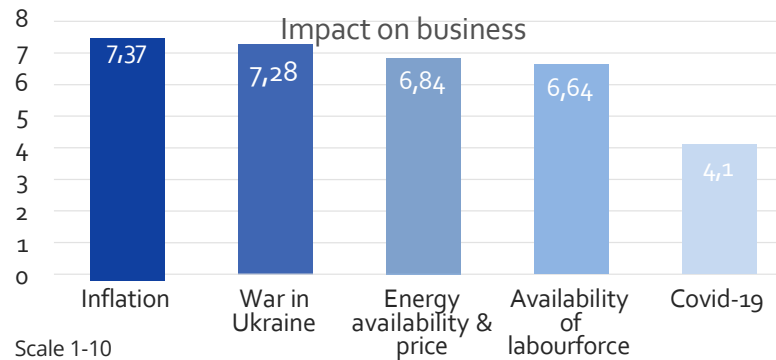


**57%** of foreign-owned companies considered expanding operations or making new investments in Finland in 2020-2022.

Same weaknesses as in 2020 study



**68%** of foreign-owned companies rated Finland's pending NATO membership as important.



Finland's biggest competitors for expansion investments:

1. Sweden
2. Estonia
3. Germany

## Executive summary



**23%**

of foreign-owned companies plan to increase R&D investments in Finland in 2023.



**49%**

of foreign-owned companies plan to increase the number of employees in Finland in 2023.



### Wishlist for the Finnish government

- Lower level of taxation
- All measures to improve labor availability
- More flexible labor market structure
- Lower and more predictable energy and fuel prices
- Investments in transport infrastructure
- More balance to the national economy

“

Health and research are high productivity and knowledge sectors that can bring significant economic growth to Finland. Finland's strengths as a health research country include good infrastructure and electronic patient registers, as well as a high level of healthcare expertise.



However, global competition for research investments is fierce, and there is room for improvement in Finland in securing the conditions for research. Areas for improvement include legislation enabling research and the adequacy and sustainability of research funding. The Health Sector Growth Strategy published in 2014 has been an important overture, but it needs to be updated to reflect the current situation and its practical implementation needs to be further developed. I believe that the most fruitful way to develop Finland's research ecosystem is through public-private collaboration.”

*Sami Huilla, Managing Director, Pfizer Finland*

# Business leaders' perceptions of Finland's critical risks and opportunities

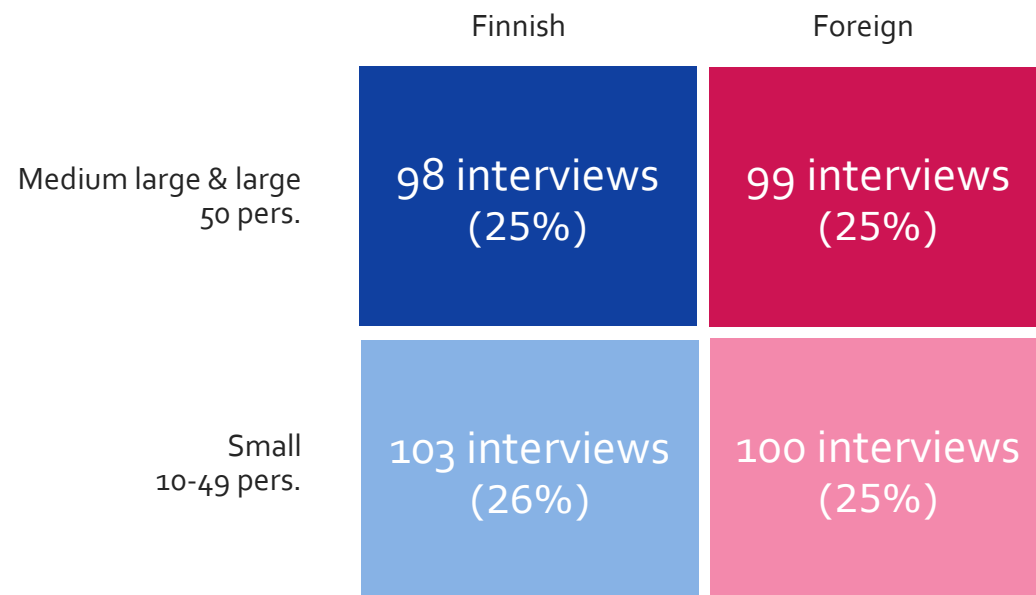
The third iteration of Amcham Finland and Invest in Finland's Barometer identifies key strengths and weaknesses in the Finnish business environment based on survey data collected from 400 C-level executives and country managers of Finnish and foreign-owned companies in fall 2022.

Company executives were asked what they see as critical risks and opportunities in the Finnish business environment. They also shared their wishes for the next government.

Our data pinpoint key development areas for decisionmakers to improve the Finnish business environment amid growing global competition for investments.

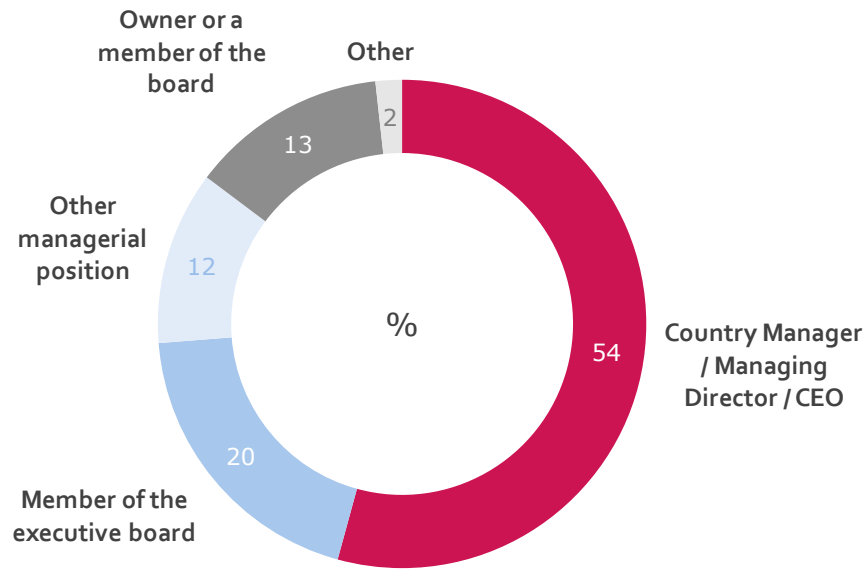
The survey was conducted between October and November 2022 by Kantar TNS. We sincerely thank all respondents for sharing their insights and helping us bring meaningful change for Finland.

Size of Participating Companies



# CEOs weigh in, representing majority of survey respondents

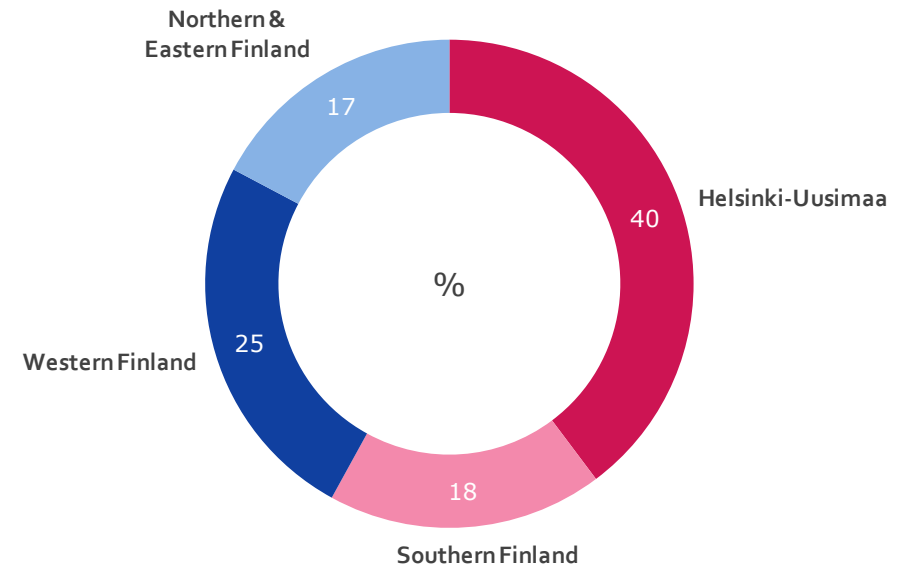
What is your position in your company?



Total 2022, N=400

CEOs and country managers represent more than half of all respondents

Location



Total 2022, N=400

58 percent of surveyed businesses are located in Uusimaa and Southern Finland

# New weaknesses: energy prices and the talent shortage

Foreign-owned companies show an appreciation for Finland year after year. Still, their average grade for the business environment has decreased slightly from 7.8 in 2020 to 7.1 in 2022. Finnish and foreign-owned companies gave Finland the same score in 2022.

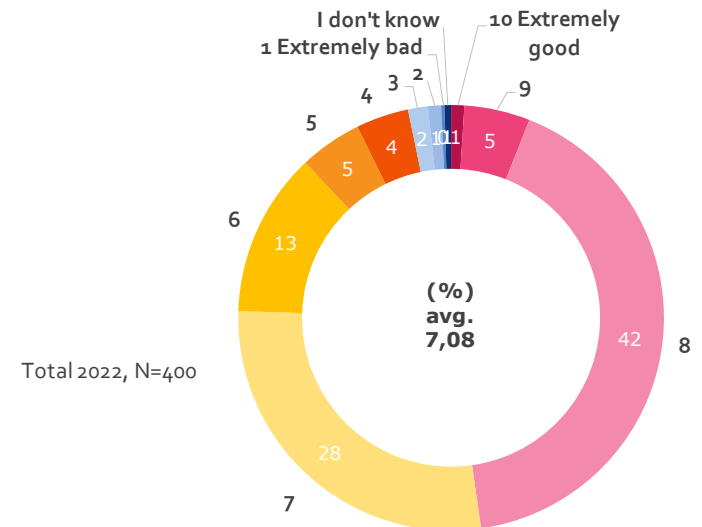
As in previous studies, foreign-owned companies identified societal stability and functionality, employee skill level, predictability of laws and regulations, quality of life and digital infrastructure as Finland’s strengths.

Sixty-eight percent of foreign-owned companies rated Finland’s pending NATO membership as important.

Crucially, companies previously saw the availability of skilled labor as one of Finland’s strengths. In 2022, 74 percent of respondents name it as a weakness. Energy prices are a second new challenge.

Other perceived weaknesses remain unchanged from 2018. These include personal income taxes, salary flexibility and high labor costs.

All things considered, on a scale from 1-10, how would you rate Finland as a business location?



High-quality education and a large talent pool are vital assets for a small country like Finland. These are significant factors when domestic and foreign companies are considering investing in Finland. We need to ensure that we are competitive also in the future. The quality of education must stay high, and we cannot afford to lose any employees because of outdated skillsets.

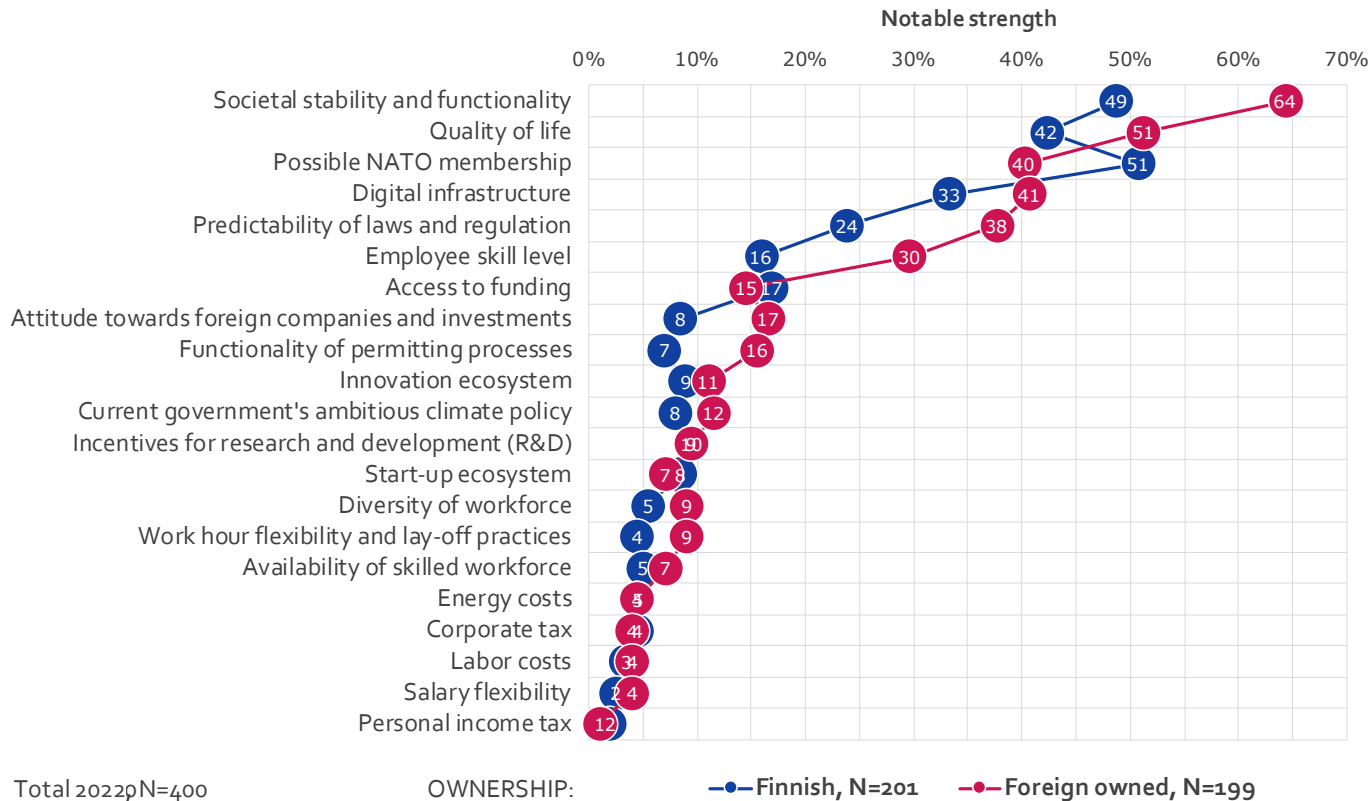
Foreign talent plays a key role in solving the talent shortage in Finland, so all obstacles to attracting and retaining them need to be removed. We must join forces to improve our competitiveness as we need to quickly transform Finland into a leading country of experts.

*Katja Miettinen, Managing Director, Brights Finland*



# Foreign-owned businesses have more positive outlook

From your business's point of view, do you see the following factors as strengths or weaknesses in Finland?



Foreign-owned companies' views of Finland tend to be more positive than those of their Finnish counterparts.

Though geopolitical instability emerged as a possible source of risk in Finland in 2022, the NATO membership matters more to Finnish companies than foreign-owned companies.

The most notable differences in perception between foreign and Finnish companies concern societal stability and functionality, as well as the predictability of laws and regulations, as well as employee skill level

# Skilled workforce a critical factor for business operations

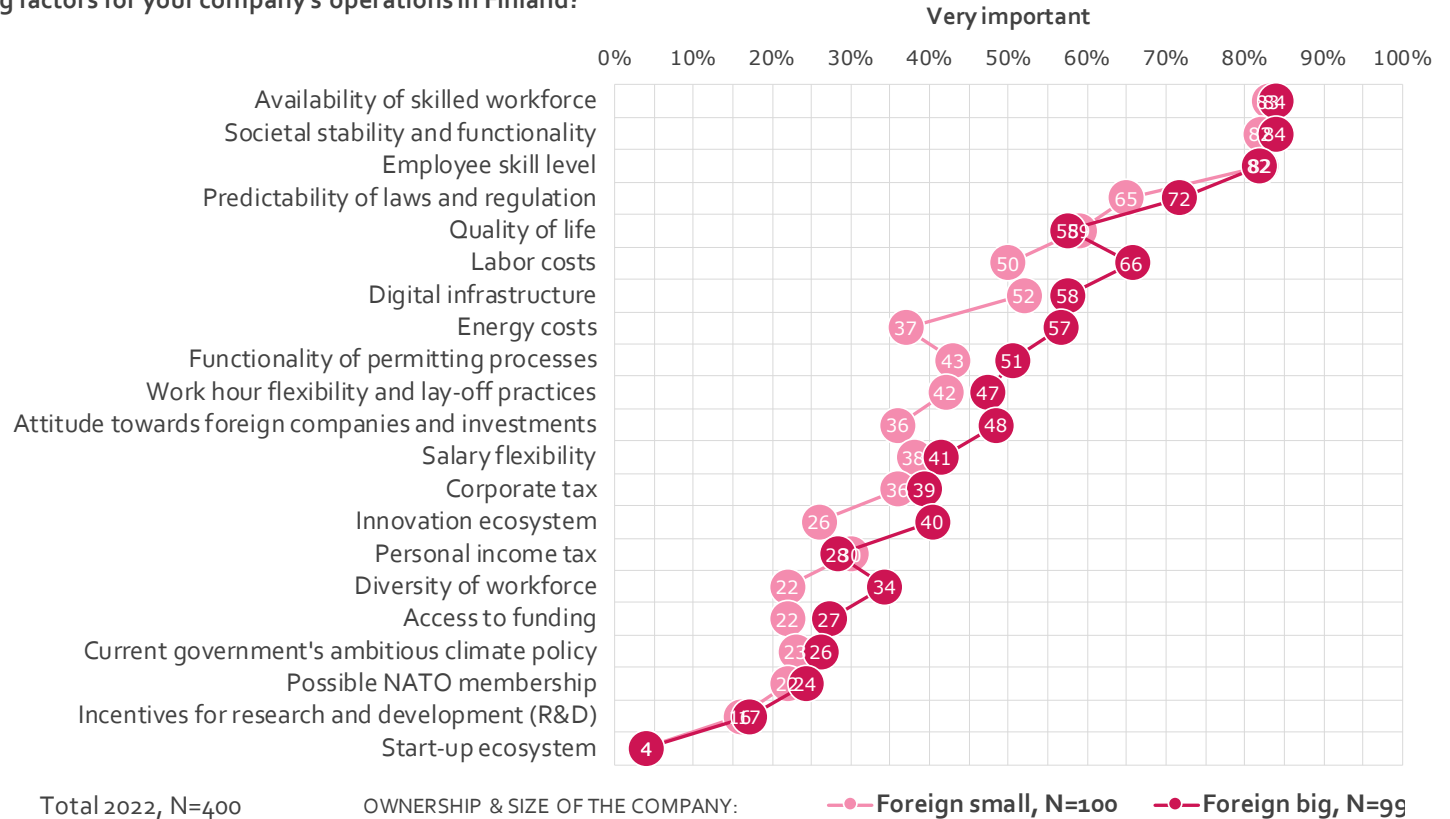
How important are the following factors for your company's operations in Finland?



Workforce-related factors, including talent availability and employee skill level, emerged as most important. Societal stability and functionality also rank high. Four out of five respondents rated one or more of these factors as “very important.”

# Large foreign-owned businesses value labor costs, social attitudes

How important are the following factors for your company's operations in Finland?



Foreign-owned companies diverge on several factors depending on their size.

Labor and energy costs, attitudes towards foreign companies and investments, as well as the innovation ecosystem are particularly significant for large foreign-owned companies. They are also more likely to rate workforce diversity as important.

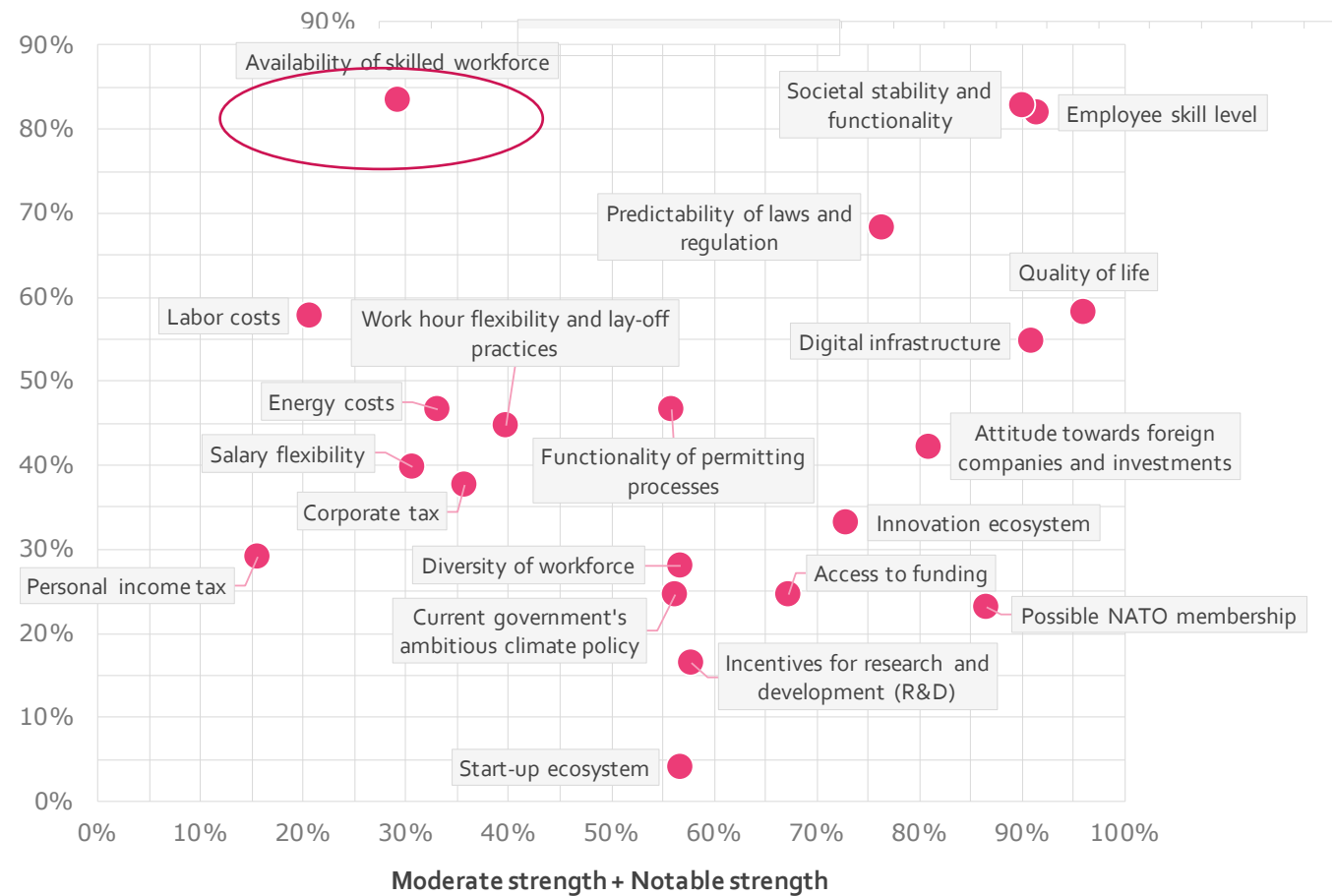
# Talent shortage reaches critical point for foreign companies

Foreign-owned companies see labor costs and the availability of skilled labor as Finland's two serious weaknesses.

Of these, the availability of skilled labor is particularly alarming. The data show that 83 percent of respondents rate talent availability as a very important factor, yet less than a third see it as a strength.

This gap underlines the ongoing negative trend of available talent in Finland since the 2018 *Barometer* survey.

**OWNERSHIP: Foreign owned, N=199**



From your business's point of view, do you see the following factors as strengths or weaknesses in Finland?

# Finnish companies share concern over talent and labor costs

Finnish companies' views of the business environment tend to be more negative than those of foreign-owned companies.

Energy costs, salary and work hour flexibility, as well as layoff practices are seen as problems by Finnish companies. They also share foreign-owned companies' views on the importance and relative weakness of talent availability.



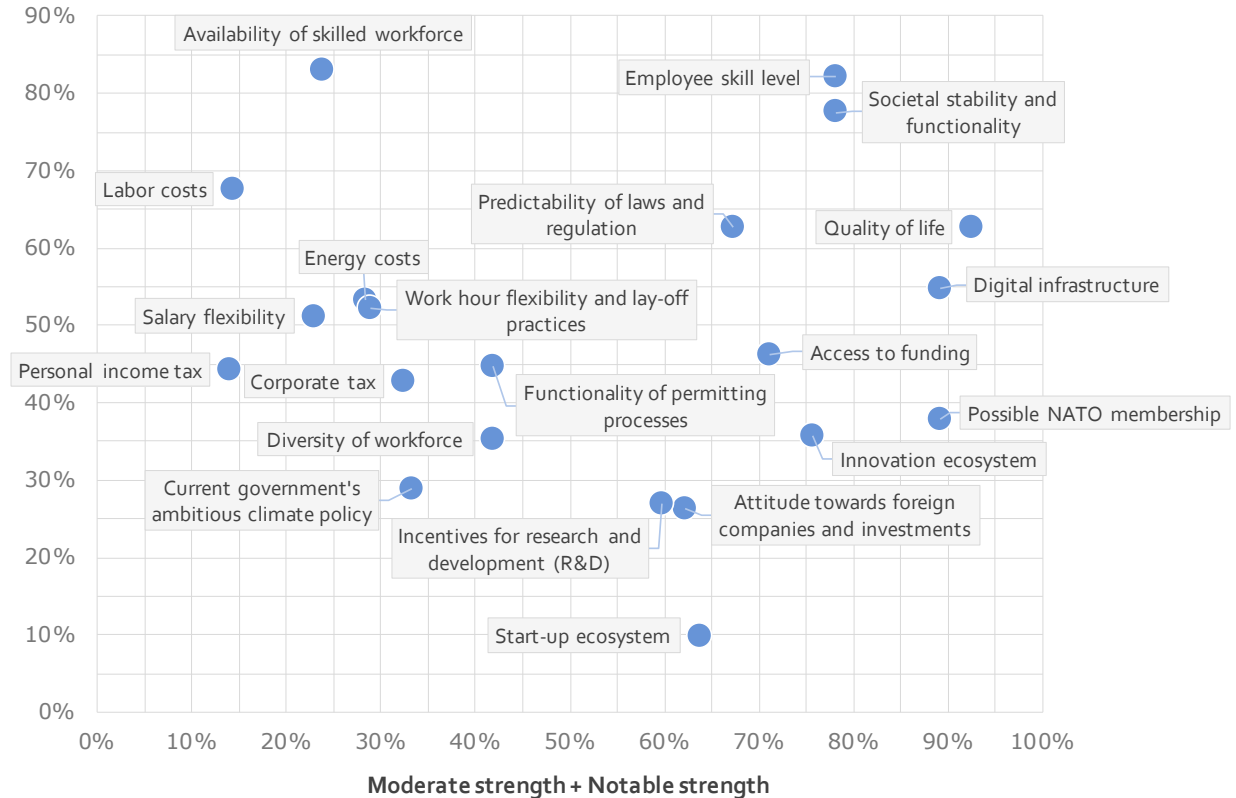
*Casper Herler,  
Managing Partner,  
Borenius Attorneys Ltd*

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The environmental permit practice in Finland has developed in a direction where both the predictability of what is a sufficient application and getting a permit which will hold in court have become significant risk factors.

This is a key issue impacting Finland's ability to attract investments and a fix needs to be high on the agenda.

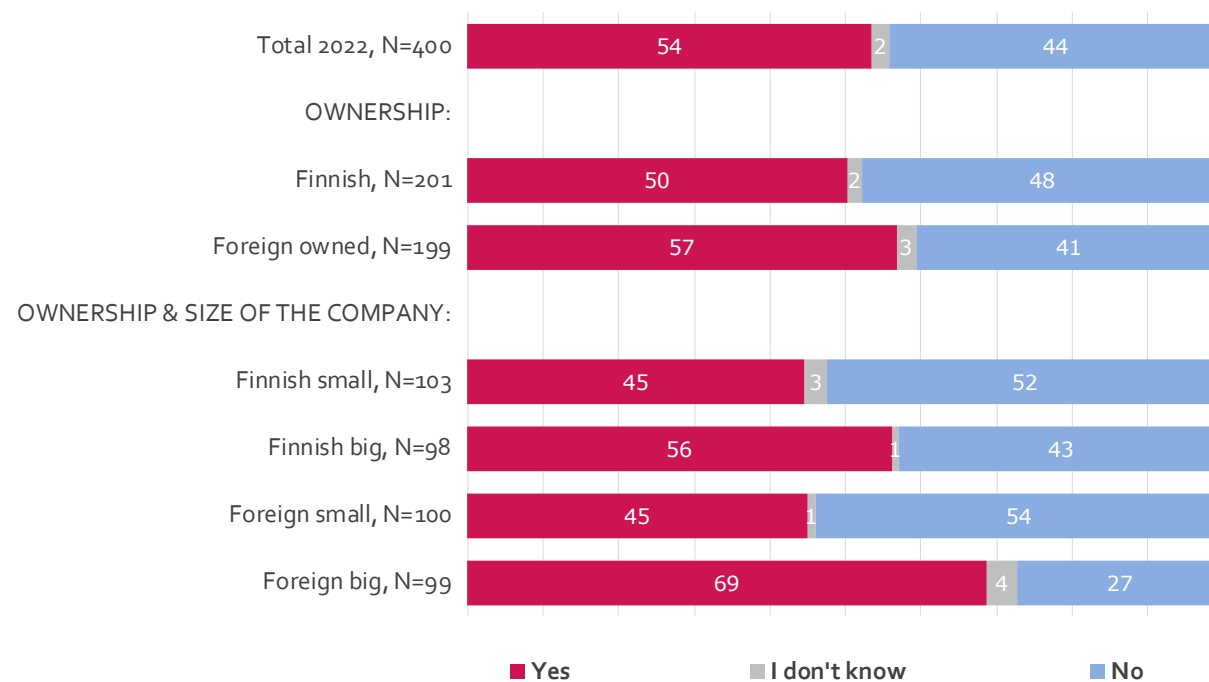
**OWNERSHIP: Finnish, N=201**



From your business's point of view, do you see the following factors as strengths or weaknesses in Finland?

# Foreign-owned companies drive expansion investments in Finland

In the past two years, has your company considered expanding operations or making new investments in Finland?



Fifty-seven percent of foreign-owned companies and half of Finnish companies have considered expansion in Finland since 2020.

Large foreign-owned companies could be the key to expanding investments into Finland, with 69 percent having considered expansion in Finland in the past two years.



*Tor Stendahl  
Former Managing Director, BASF Finland*



Finland could have the opportunity to become a significant player when it comes to investments in the Green Transition. We have the important natural resources and renewable energy, as well as a highly educated workforce and innovative companies and institutions.

However, there is tough competition for these significant investments in Europe and we need to do all we can to make sure Finland is seen as the most attractive place to invest. Here, a fast, transparent, and predictable permitting process is of utmost importance.

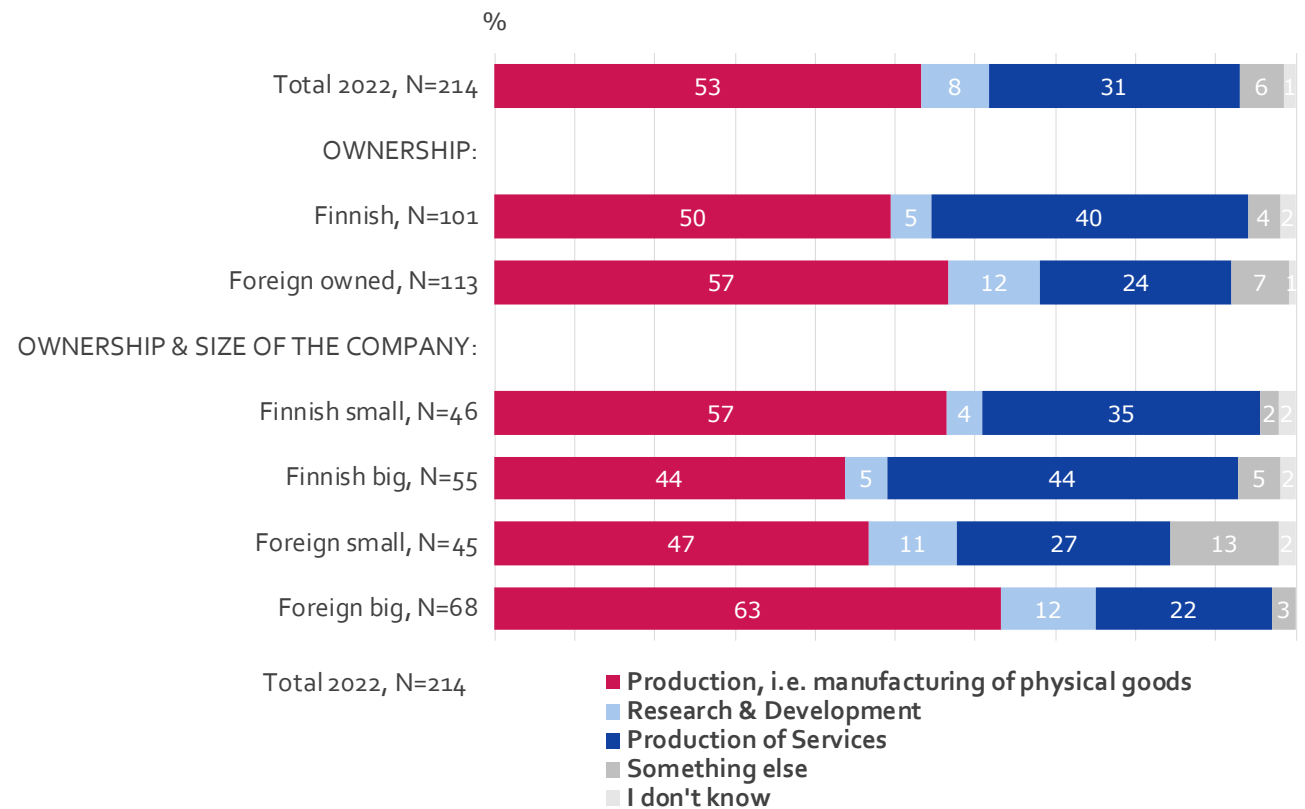
# Foreign-owned businesses plan bulk of potential R&D expansion investments

Most of foreign-owned companies' potential expansion investments were related to manufacturing and production of services with 57 and 24 percent, respectively.

Foreign-owned companies plan potential future expansions in manufacturing and R&D, whereas Finnish expansions concentrate on the production of services.

Expansions in R&D are more likely to come from foreign-owned companies, with 12 percent of large foreign-owned companies having considered investments to Finland. Among large Finnish companies, this figure was 5 percent.

For which operation was the expansion or investment considered?



# 9 of 10 respondents plan to hire more employees in 2023



*Hanna Kivelä, Managing Director, VP,  
Fujitsu Finland and Estonia*

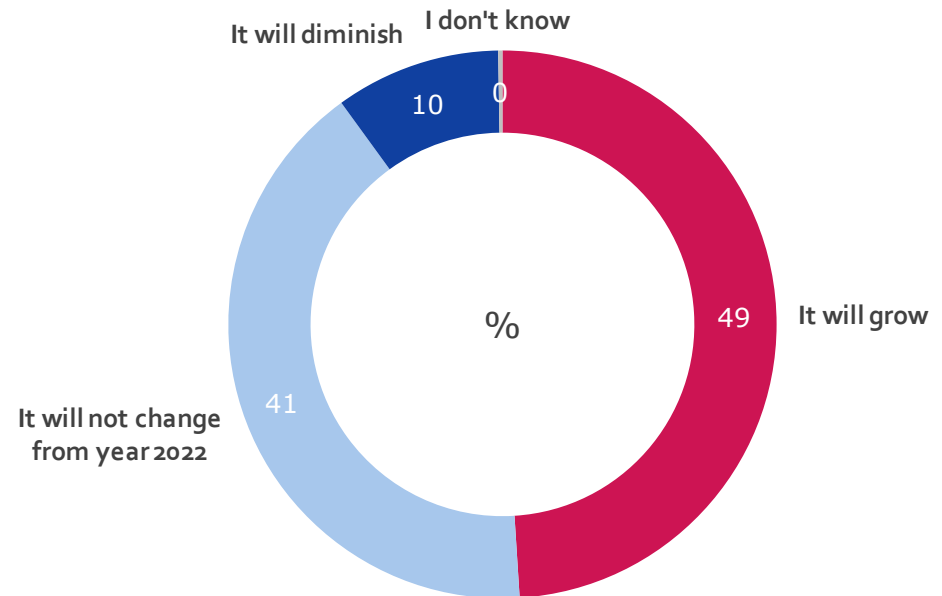


Solving for sustainability transformation has become the world's single most important priority. This requires visionary leadership, talent, advanced technology solutions, and investments. Finland can and should step up as the global leader in this arena.

Strong collaboration of public and private organizations is our strength, which also Fujitsu has experienced over our 60-year-long journey as an essential provider of public and critical services, and as a partner for several local and global businesses.

Only 10 percent of respondents are planning layoffs. Large foreign-owned businesses are the most likely to increase hiring.

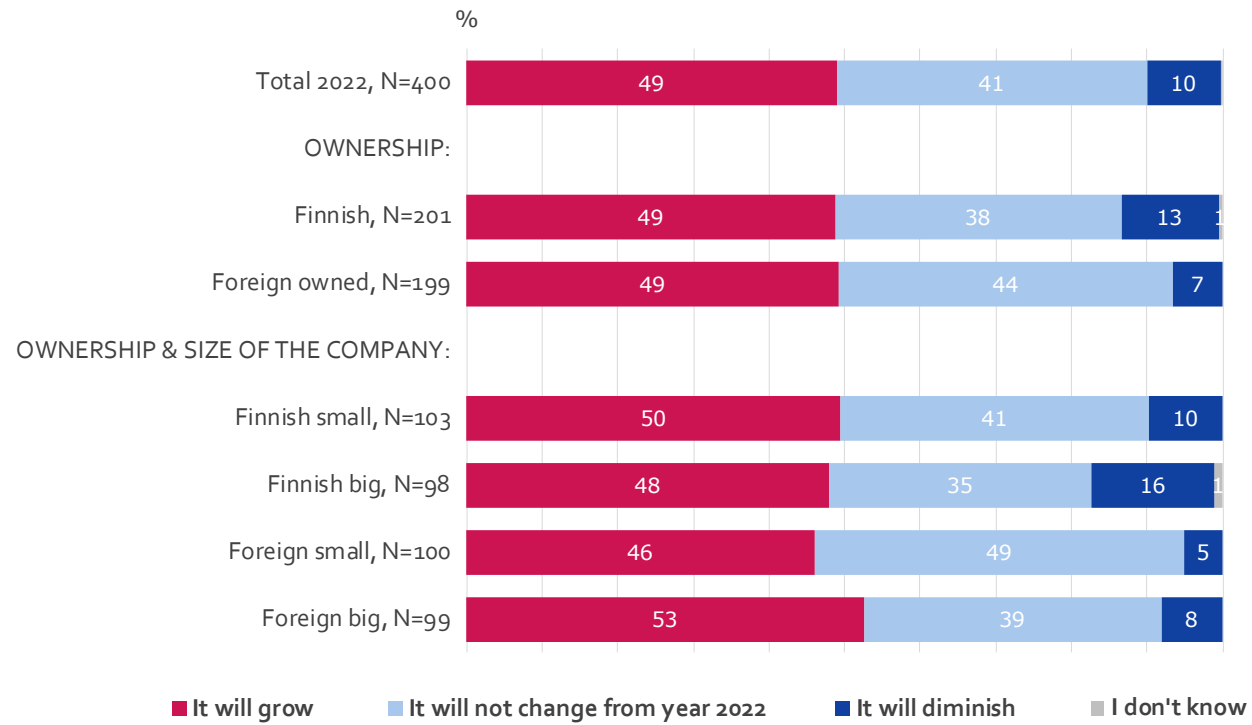
In which way do you think your employee count in Finland will change from current to the end of 2023?



Total 2022, N=400



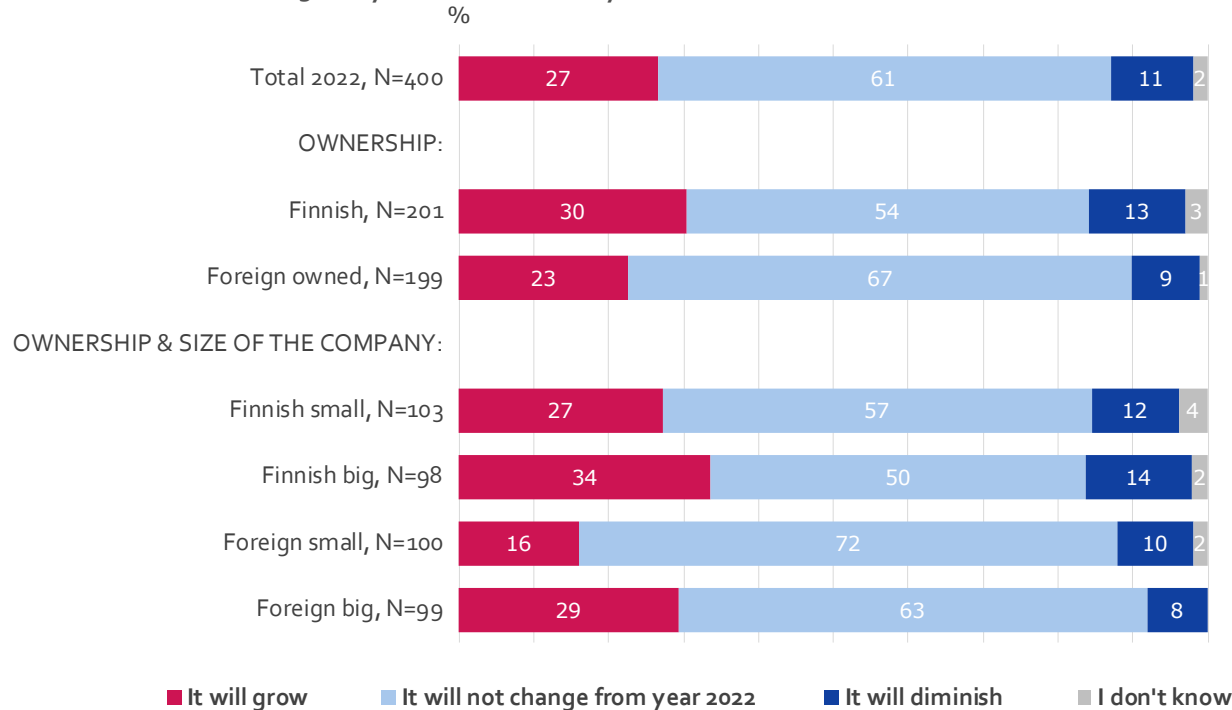
In which way do you think your employee count in Finland will change from current to the end of 2023?



Total 2022, N=400

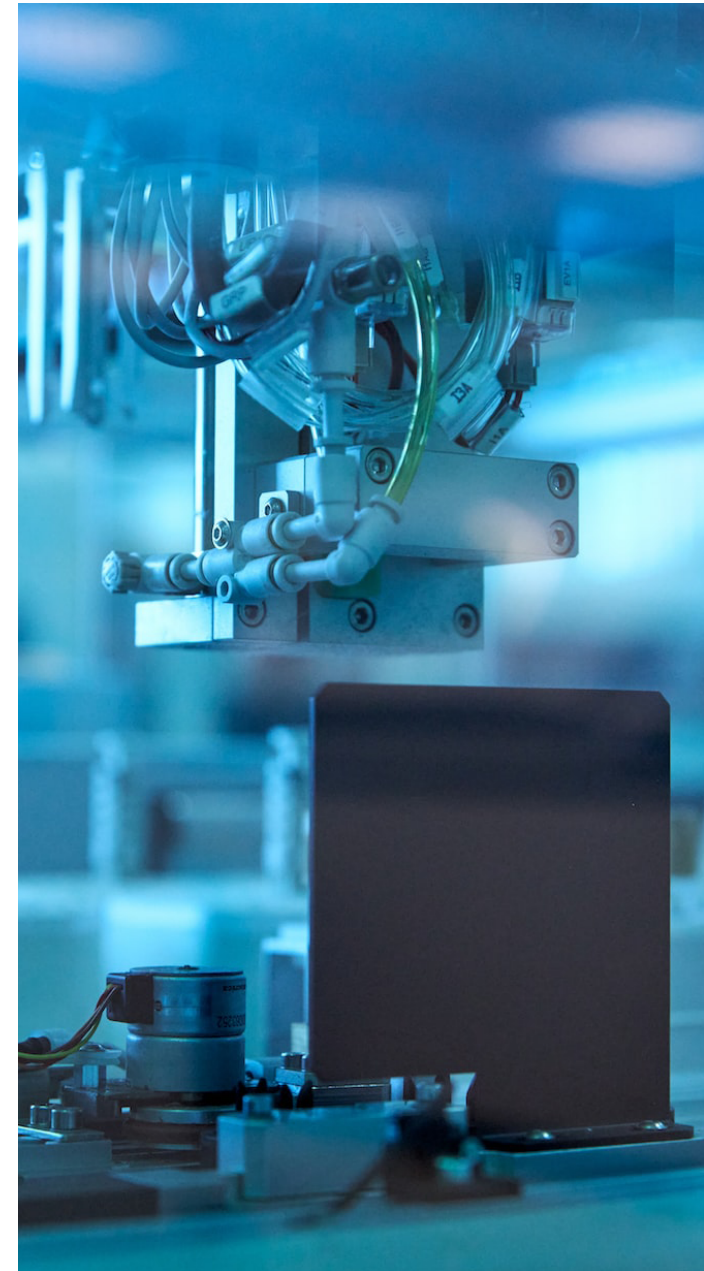
# Quarter of foreign-owned companies report increasing R&D investments

In which way do you believe your research and development investment in Finland will change from current to the end of 2023? Do you believe that they will...



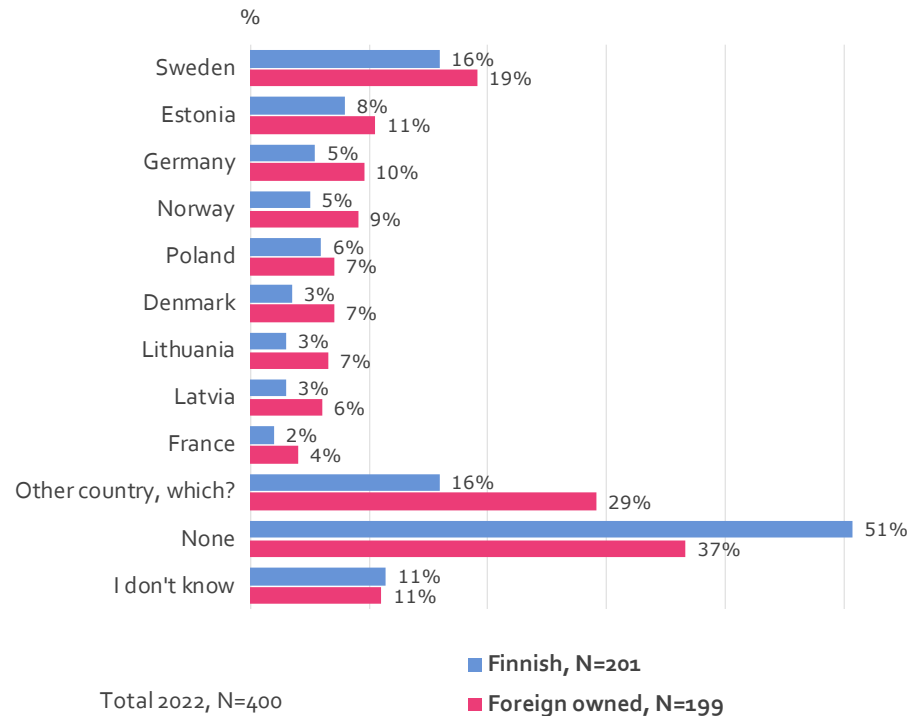
Twenty-three percent of foreign-owned companies reported plans to increase their R&D investments in 2023. Two-thirds indicated they would maintain current levels of investment.

More Finnish companies report increasing R&D investments for 2023. They are also more likely than foreign-owned companies to decrease R&D funding.



# Finland faces growing global competition for FDI

What other countries are attractive destinations for these expansion investments?



Sweden, Estonia, Germany, and Norway emerged as Finland’s leading competitors for expansion investments.

Global competition is naturally stronger for investments from foreign-owned companies. Finnish companies show a strong preference for investing in Finland, with 51 percent indicating no competing investment destinations.

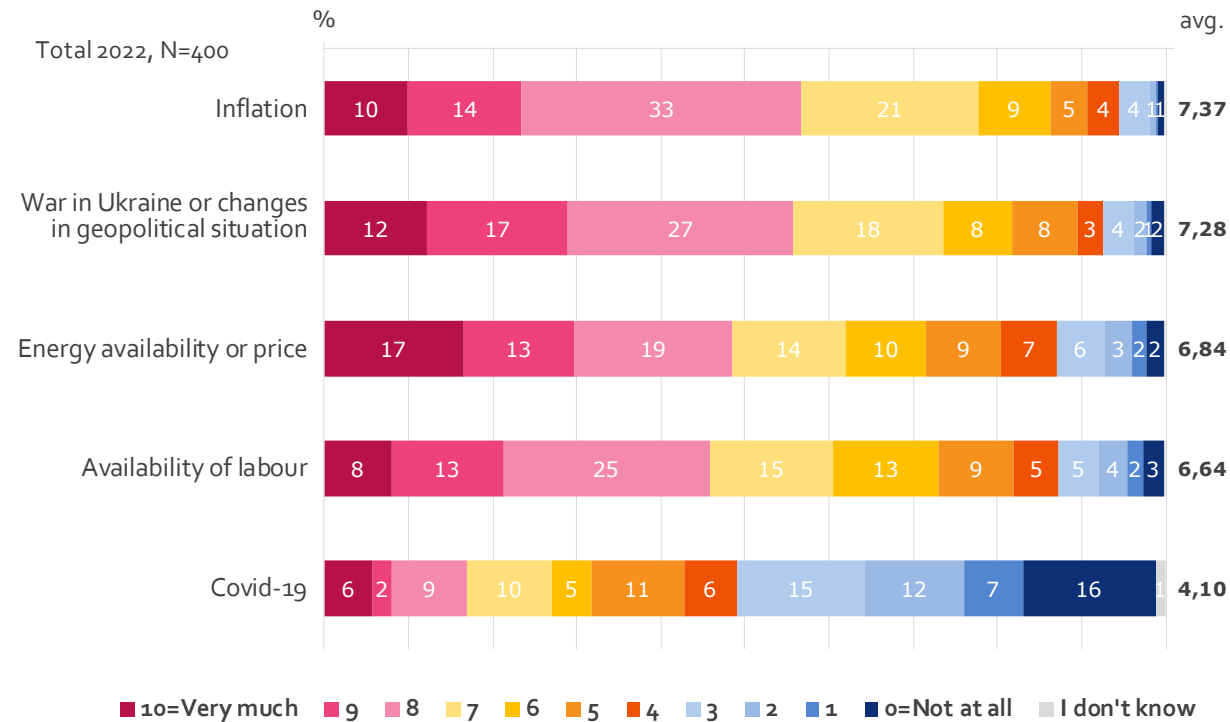
The competition for FDI is not limited to Northern Europe. Other listed destinations included Spain, the Netherlands, India, China, Portugal and the United Kingdom, among others.

# Inflation and war in Ukraine will have a serious impact on operations

Inflation will impact the operations of most respondents in 2023. Fifty-seven percent anticipated a strong effect (8 to 10) on operations. Russia’s war on Ukraine ranks as a close second, with 56 percent estimating that it will have a strong effect on their operations.

Energy prices and the availability of labor will have serious effects on 49 and 46 percent of companies, respectively.

How much are these trends affecting your business operations in Finland in 2023?





**Anil Joshi**  
Managing Director,  
Kyndryl Finland

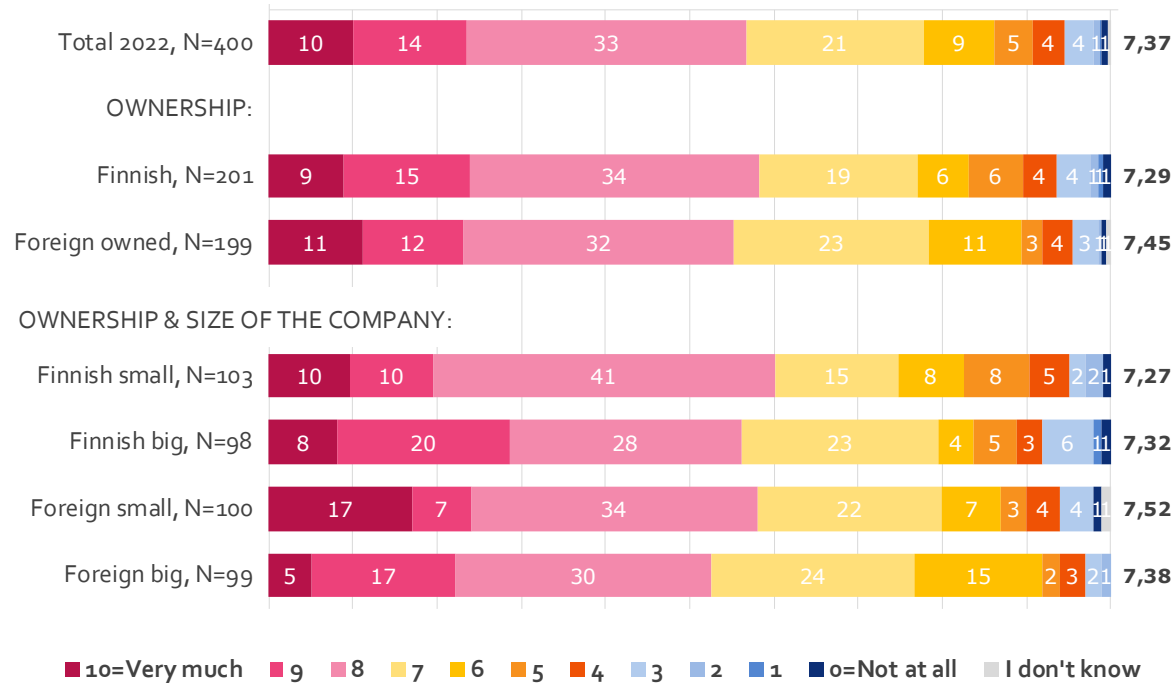
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Finland is a hotbed of digitalization, but competition is fierce and more countries are catching up. To attract foreign direct investment, we should make sure digitalization is a priority in all areas of life, from economic to social. Society will benefit from leveraging the best of global IT to strengthen our digital core. We also want to make Finland a desirable destination for the best international talent. Let’s take Finland to the top also in attracting FDI.

# Businesses expect strong government measures to combat inflation

How much are these trends affecting your business operations in Finland in 2023?

## Inflation



Total 2022, N=400

Both Finnish and foreign-owned businesses anticipate that inflation will significantly affect their operations in 2023.

Small foreign-owned companies and those located in the Helsinki-Uusimaa region report being especially concerned about inflation.

The anticipated impact of inflation is similar across sectors.

### Action items for the government

- Strong measures to stop inflation and rising interest rates
- Bring the price of energy under control
- More business-friendly taxation
- Lower personal income taxes to improve purchasing power

# 56 percent of businesses strongly affected by war in Ukraine



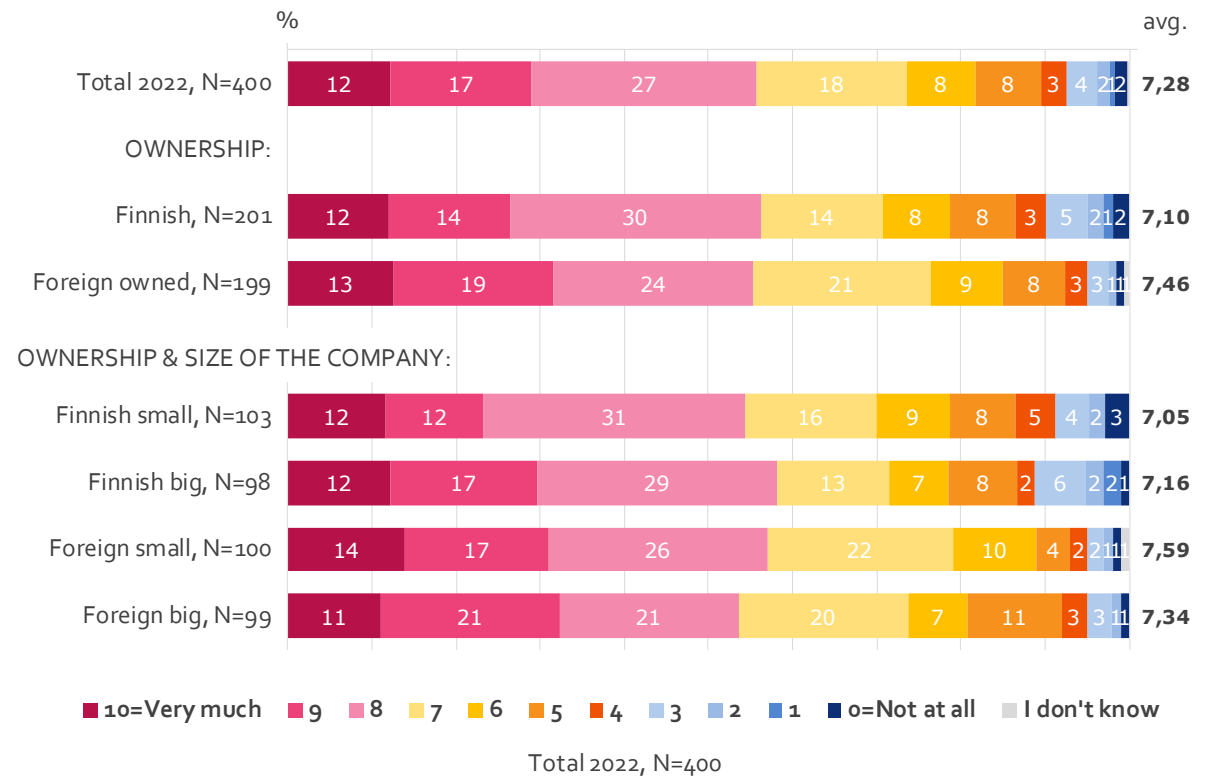
*Elina Kivioja  
Managing Director, Vattenfall Finland Oy*



Achieving a carbon neutral Finland 2035 will require more renewable energy construction. The need for additional energy in industry alone will increase by 50 percent by 2035. Industrial-scale offshore wind farms will provide energy to meet growing demand and bring investment to Finland. Vattenfall’s offshore windfarm in Korknäs is an estimated 2–3-billion-euro investment, producing an estimated 5 terawatt hours of electricity per year. The annual production corresponds to the annual electricity consumption of more than 2 million apartment buildings.

How much are these trends affecting your business operations in Finland in 2023?

War in Ukraine or changes in geopolitical situation



Russia’s war on Ukraine and corresponding changes in the geopolitical situation have a slightly stronger effect on foreign-owned companies.

# Businesses call for more versatile supply of energy

The price and availability of energy have a particularly strong effect on small Finnish businesses. Large foreign-owned companies also report being strongly affected by energy-related factors.

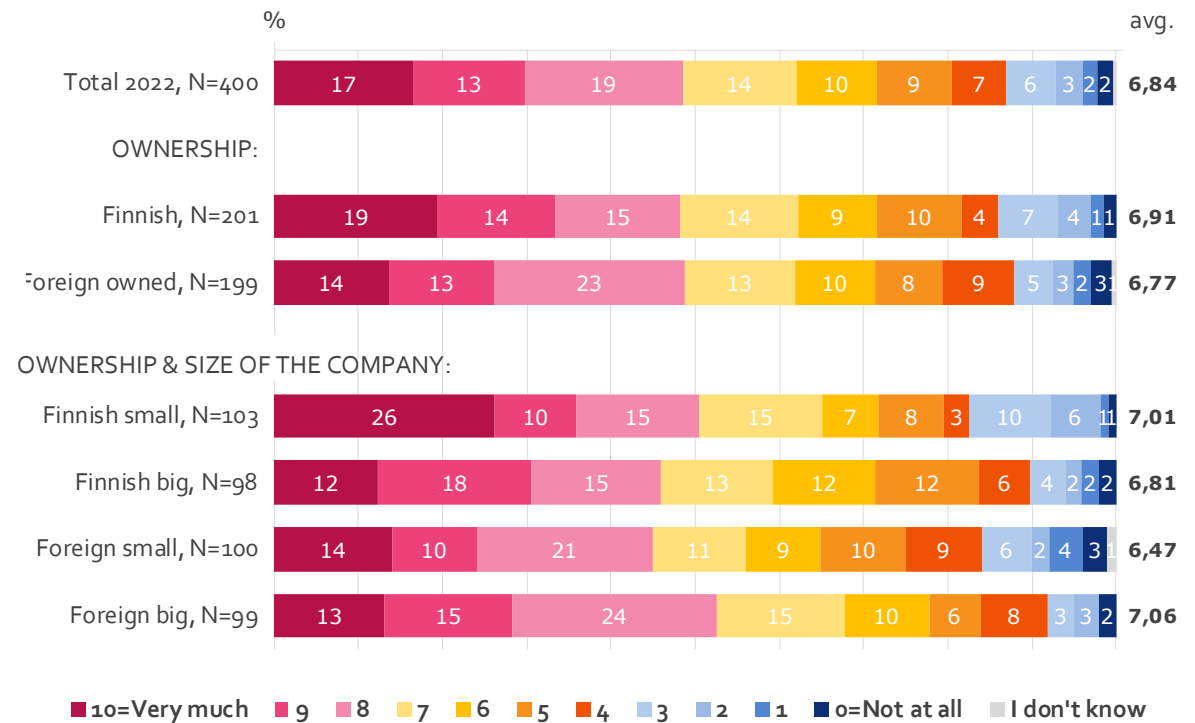
Manufacturing and construction companies are particularly affected by energy-related factors.

### Action items for the government

- Ensure availability and versatile supply of energy
- Reform transport fuel taxation, which directly affects price of goods
- Make energy production state-owned, non-profit

How much are these trends affecting your business operations in Finland in 2023?

Energy availability or price



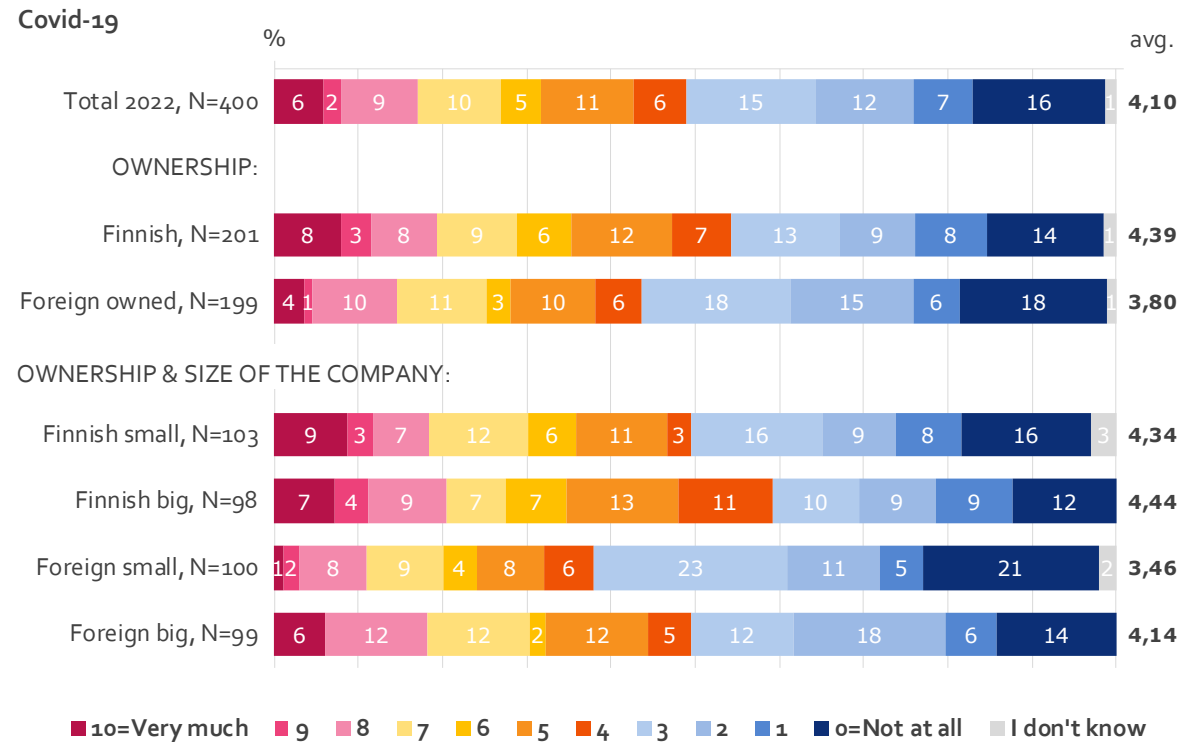
Total 2022, N=400

# Finnish companies feel lingering effects of Covid-19 pandemic

The effects of Covid-19 on businesses are relatively mild. Finnish companies report being more affected by the virus than foreign-owned companies. Small foreign-owned companies are the least likely to report being affected.

Finnish service providers stand out with an average impact score of 5.16. Particularly the travel sector, including business travel companies, reported lingering effects of the pandemic.

How much are these trends affecting your business operations in Finland in 2023?



Total 2022, N=400



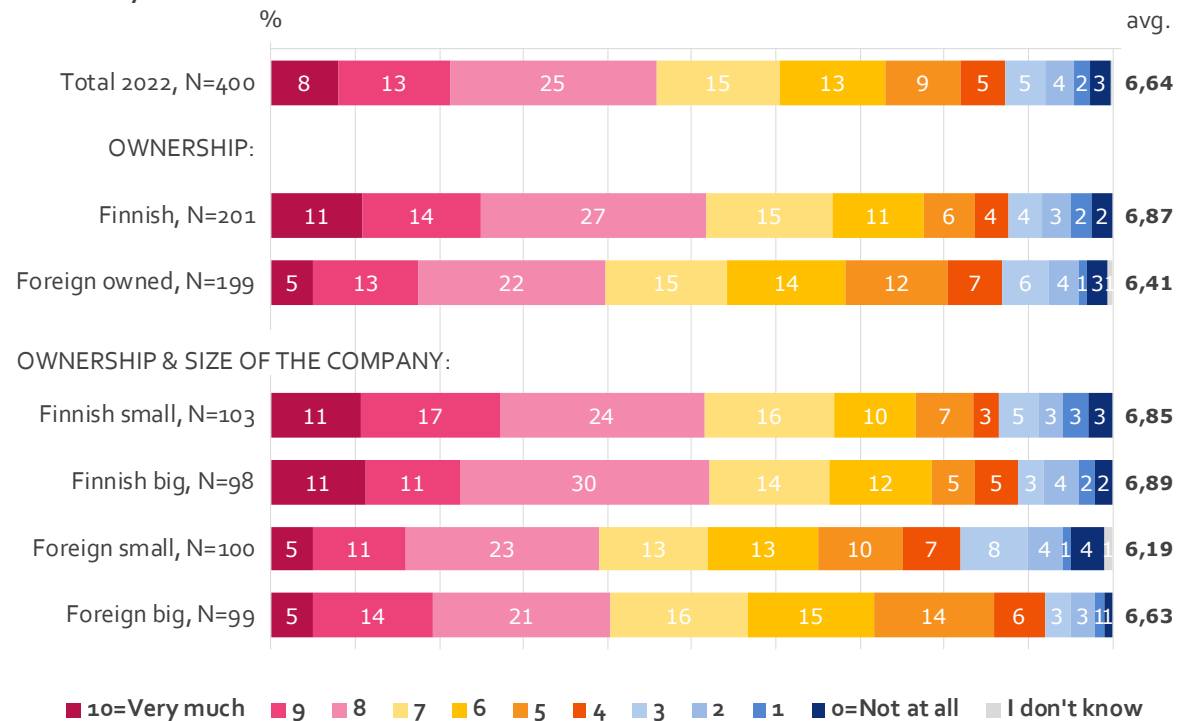
# Finnish companies strongly affected by talent shortage

312 out of 400 companies (78%) reported a shortage of skilled workers. Respondents listed over 100 skill areas in which they have an unmet need for talent.

The availability of labor has a greater than average effect on construction and service companies, with average impact scores of 7.18 and 7.12, respectively. Service companies in Northern and Eastern Finland reported being particularly affected.

How much are these trends affecting your business operations in Finland in 2023?

Availability of labor



Total 2022, N=400

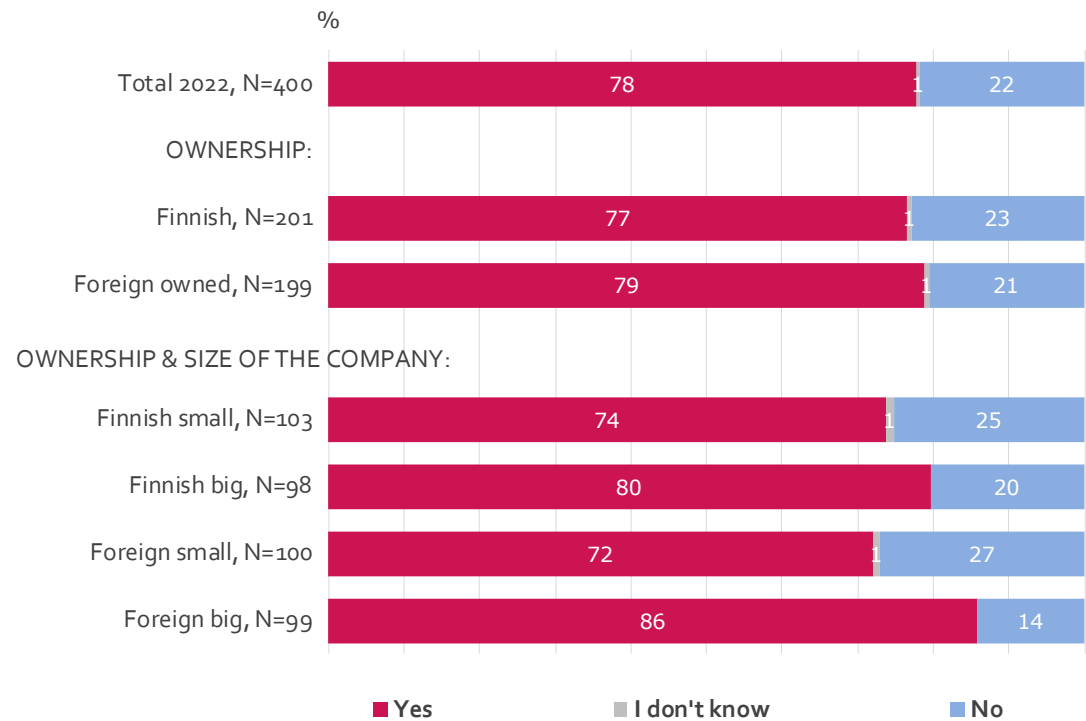
# Businesses call on government to ease growing talent shortage

Over three quarters of businesses report experiencing a shortage of talent in Finland. Large foreign-owned companies are particularly affected, with 86 percent reporting suffering from a lack of available talent.

## Action items for the government

- Invest in education
- Create incentives for employee mobility
- Remove incentive traps: Working must be more attractive than unemployment benefits
- Streamline labor-based immigration
- Increase flexibility in wages and employment agreements

Is the company currently experiencing a shortage of talent in Finland?



Total 2022, N=400



# Tax relief seen as critical for boosting green investments

The respondents were asked how the government can help attract green investments to Finland. This was an open-ended question. Tax relief was the most frequently mentioned method.



*“Encourage tax and incentive policy”*

*“Speed and predictability in permit processing”*

*“Finland’s emissions are minimal in comparison compared to the rest of the world. The right scale and perspective are needed”*

*“Investments in the development of renewable fuels”*

*“Ensure energy self-sufficiency”*

*“Put the wind power and hydrogen economy to work”*

*“Monitor the implementation of energy-related”*

*“More places to study energy efficiency”*

*“Grants for R&D and commercialization”*

*“Make Finland a test laboratory for green investments”*



*Oktay Nuri  
Managing Director, DHL Express (Finland) Oy*



The COVID-19 pandemic and global supply chain disruptions have again proven the strategic importance of logistics and just-on-time deliveries to ensure business continuity for Finnish business, industry, consumers, and the nationwide security of supply.

Deepening cooperation between the private and public sectors on matters such as regulatory changes, support, and incentives for driving sustainability, for example by electrification of vehicles and investments in carbon neutral facilities, will further benefit Finland as an attractive FDI destination.

## **AMCHAM FINLAND**

Amcham Finland is an international business community for inbound companies accessing the Finnish market and outbound companies going to America.

[WWW.AMCHAM.FI](http://WWW.AMCHAM.FI)

## **INVEST IN FINLAND**

Invest in Finland helps foreign companies identify business opportunities in Finland, produces information on Finland as an investment destination, and enhances and coordinates national efforts to attract investment by actively networking with regional and international entities. Invest in Finland also collects and updates information about foreign-owned companies in Finland. Invest in Finland is part of Business Finland.

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