The Contribution made by Beer to the European Economy

Finland - March 2020

Europe Economics

The Brewers of Europe

Finland

1 | Country profile

Table 1. Country profile

	2018
Population	5,513,130
Currency	Euro
GDP per capita in PPS (2012, EU28 = 100)	111

Source: Eurostat and National Statistical offices.

2 | Highlights Finland

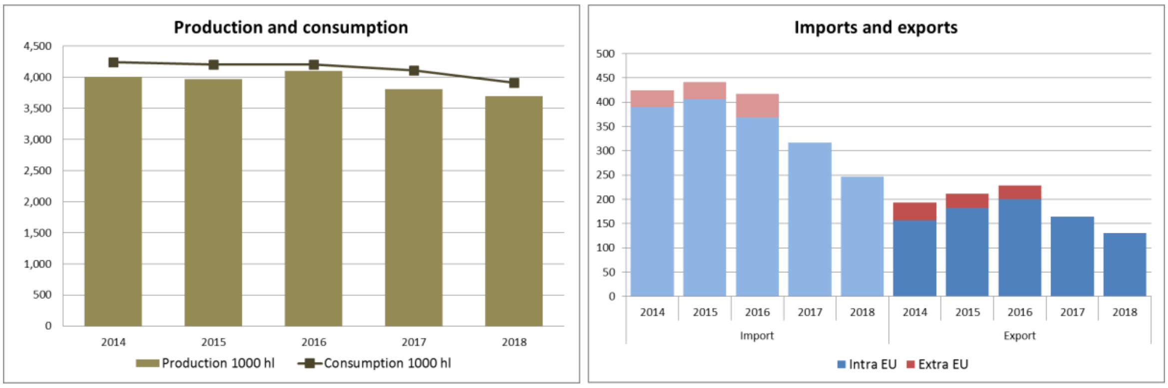
Table 2. Economic impact summary (and % change over the period)

		2015	2016	2017	2018
Total number of jobs	[-13.2%]	18,058	17,838	16,790	15,682
Value-added (mEuro)	[1.8%]	844	885	889	860
Government revenues (mEuro)	[-1.4%]	1,279	1,279	1,238	1,261

Source: Calculations - different sources.

Finland appears to be continuing the steady decline in beer consumption experienced since 2007.[1] Both imports and exports fell during the period, despite 68% of Fins having travelled to neighbouring Estonia by ferry to buy alcohol.[2]

Figure 1. Evolution of main indicators (2014-2018)



Source: National associations.

[1] National Institute for Health and Welfare (THL) (2018) “Alcohol Beverage Consumption 2018”.
[2] The Federation of the Brewing and Soft Drinks Industry (Panimoliitto).

3 | A snapshot of the brewing sector

Total production is broadly stable and the number of breweries and brewing companies has increased considerably. That increase in diversity is less concentrated among microbreweries, which were already a large share of the total, than in other European countries where a similar increase has occurred. Instead it represents an increase in diversity in the conventional brewery sector.

Table 3. Basic characteristics of the beer sector (2015-2018)

	2015	2016	2017	2018
Total production (in hectolitres)	3,970,000	4,100,000	3,812,000	3,700,000
Brewing companies	54	76	N/A	110
Breweries (including microbreweries)	59	82	N/A	104
Microbreweries	41	55	N/A	104

Source: National Associations.

4 | Looking at the beer market

Total beer consumption fell from 4.2 million litres in 2015 to under 4 million in 2018. This observed result may be partially attributed to the increase in alcohol prices over the period, which reportedly rose by 2.6% at the beginning of 2018 following tax increases.[3]

The proportion of beer bought in the retail sector continues its march towards totality, reaching 88% of litreage in 2018.

Table 4. Basic characteristics of the beer market (2015-2018)

	2015	2016	2017	2018
Total consumption in hectolitres	4,209,000	4,208,000	4,109,000	3,917,000
Total consumer spending (in million Euro)	2,303	2,275	2,205	2,092
Consumption of beer per capita (in litres)	77	77	75	74
Beer consumption hospitality	15%	14%	13%	12%
Beer consumption retail	85%	86%	87%	88%
Consumer price hospitality (€ / litre)*	12.78	12.83	12.93	13.09
Consumer price retail (€ / litre)*	4.18	4.20	4.23	4.28

Note: * Prices are averages inclusive of taxes and duties.

Source: National Associations.

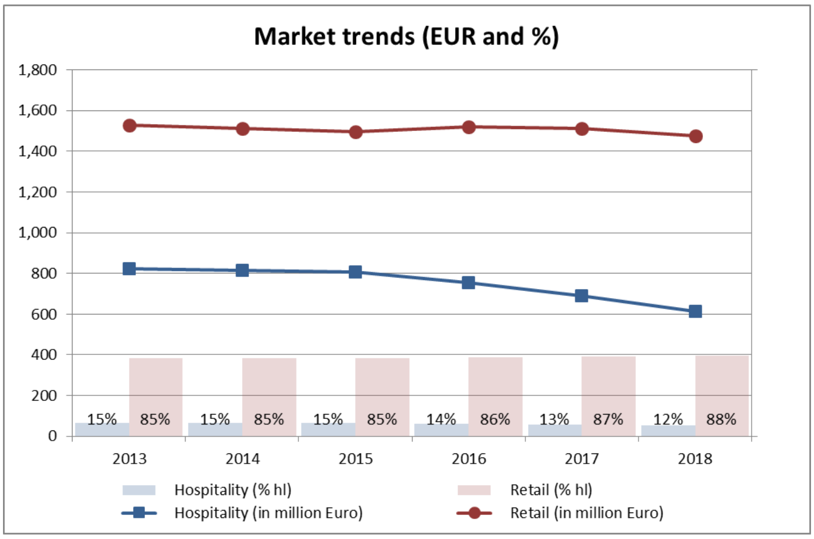
[3] National Institute for Health and Welfare (THL) (2018) “Alcohol Beverage Consumption 2018”.

5 Trends and developments

The high share of beer consumed in the off-trade may reflect the increased level of availability of beer in retail stores. Indeed, amendments to the “Alcohol Act” during this period eased market restrictions by allowing grocery stores and supermarkets to sell drinks with an alcohol content by volume (ABV) of up to 5.5%, rather than the previous limit of 4.7%.[4] Before this point, all drinks with an ABV over 4.7% had only been sold at the state alcohol monopoly Alko’s stores.

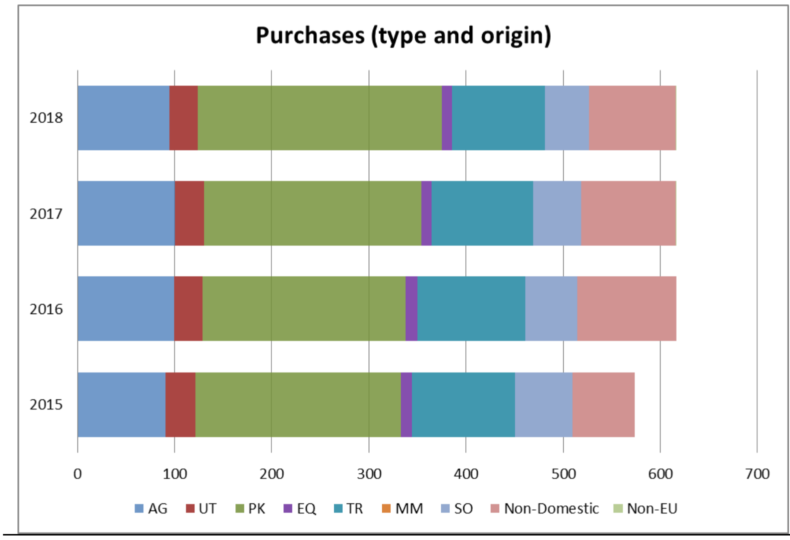
Meanwhile, the value of the beer hospitality market fell quite considerably in recent years. Between 2013 and 2015, this market was worth some €800 million; in the three years to the end of 2018 it had fallen by a quarter to just over €600 million.

Figure 2. Recent consumption trends (2013-2018)



Purchases of agricultural products and packaging occupy positions as the largest single recipients of beer industry purchases in Finland. Total purchases in 2018 were above €600 million.

Figure 3. Importance up the chain



Note: AG – Agriculture; UT – Utilities; PK – Packaging; EQ – Equipment; TR – Transport; MM – Media / marketing; SO – Other services.

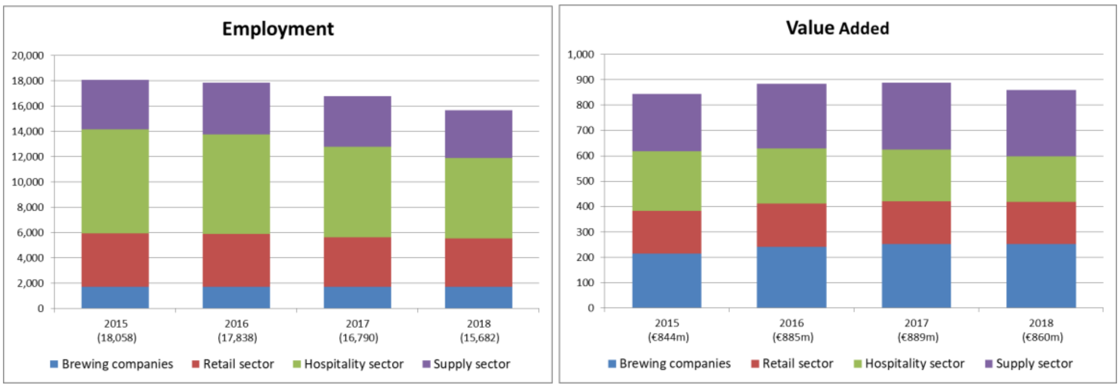
[4] National Institute for Health and Welfare (THL) (2018) “Alcohol Beverage Consumption 2018”.

6 | The impacts beyond the sector: related jobs and value added

Employment in the Finnish beer industry has continued its long-term decline, falling to 15,200 in 2018. This reduction appears to be driven by falling numbers of jobs in the hospitality sector, as the jobs supported by brewing companies, retail sector and supply sector remain strong.

Promisingly, however, value added remained reasonably stable throughout the period, peaking at €870 million in 2017 and falling slightly to €845 million in 2018.

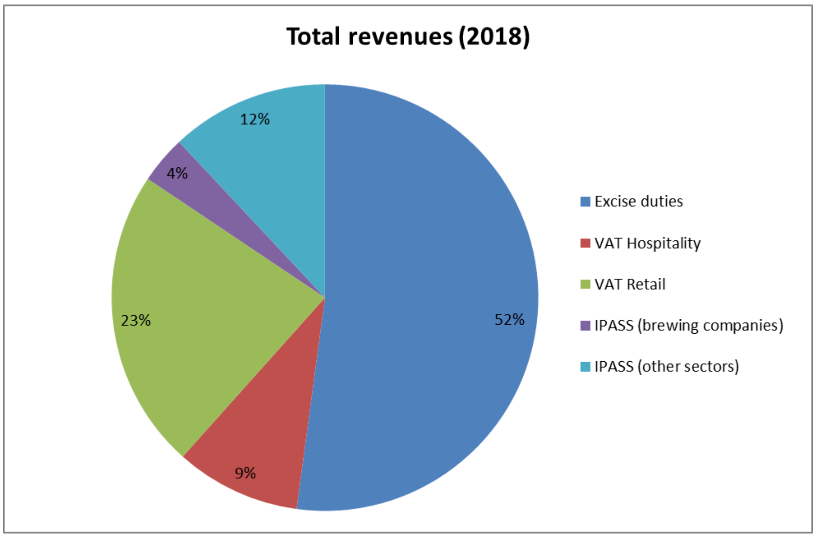
Figure 4. Change in employment and value added (2015-2018).



7 | Government revenues related to beer

Excise duty payments dominate the tax continuation of the Finnish beer industry at over 50% of the total (which in 2018 was €1.2 billion).

Figure 5. Government revenues generated by beer in 2018



Consistent with the declining value of the hospitality beer market, VAT receipts fell in this sector from €156 million to €119 in 2018. Brewing companies and the drinking public retained their value as a source of tax revenue for national fiscal balances, providing a rather stable €45 million in IPASS and more than €600 million in excise duties respectively.

Table 5. Government revenues, mEuro (2015-2018)

	2015	2016	2017	2018
Excise duties	605	606	596	654
VAT Hospitality	156	146	134	119
VAT Retail	290	294	293	286
IPASS (brewing companies)	45	48	45	45
IPASS (other sectors)	184	185	170	157
Total government revenues	**1,279**	**1,279**	**1,238**	**1,261**

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