

FOCUS on FINLAND

General Information

- Capital: Helsinki
- Total area: 338 000 km²
- Population: 5,3 million
- Currency: Euro (EUR)
- Official EU languages: Finnish, Swedish



Finland is the sixth largest country in Europe, with a low population density of 16 persons per square km. Two thirds of Finnish people live in urban areas, almost a million of which live in the metropolitan region formed by Helsinki and the neighbouring towns of Espoo and Vantaa. Other important towns are Tampere and Turku in southern Finland, and Oulu in the north.

The foreign community accounts for about 2% of the population, with the biggest groups of immigrants coming from Russia, Estonia and Sweden. As Finland belonged to Sweden from the 12th century until 1809, about 6% of the population is Swedish-speaking.

A quarter of Finland's territory lies above the Arctic Circle and the midnight sun can be experienced, for more days, the farther north one travels. At Finland's northernmost point, the sun doesn't set for 73 consecutive days during summer, and doesn't rise at all for 51 days during winter.

Finland's natural landscape is rich on beautiful forests and lakes, and forests were the main raw material resource since the beginning of the country's industrialization in the 19th century.

Over the past decades there was a shift from an export dominated by the wood and paper industry to a more varied export composition including telecommunications equipment and engineering products, glassware, stainless steel and ceramics. Electronics experienced the fastest growth in the 1990s, mainly due to the production of mobile phones and other telecommunication equipment.

Finland is now a modern, competitive economy increasingly based on services, world leader in the sector of information and communications technology where Finnish engineers and companies have developed numerous important and innovative new products. For instance, the Linux operating system was developed by Finnish Linus Torvalds.



Economy

The country's economy has contracted significantly in 2008 and in the first quarter of this year, as the gross domestic product grew by only 0.9% amounting to EUR 186 billion, the lowest growth rate since the recession of the early 1990s. The government budget is expected to fall into deficit at 2.6% of GDP in 2009 and 4.1% in 2010. Because of the global economic downturn, the export-oriented economy of Finland is going to face a contraction due to weaker demand and tighter credit in the period 2009-10: real GDP growth is forecast to fall by 5.7% in 2009 and by 1.1% in 2010. According to figures released by "Statistic Finland", although the economic downturn, the volume of consumption grew by 1.9% and investments

by 1% in 2008, but exports fell by 1.1% and imports by 1.3%.

The deficit in central government finances is expected to remain in the range of EUR 7 billion, and stimulatory financial investments further compound the financing requirement in central government.

A slow recovery is forecasted for the period 2011-13, as the Finnish government has planned a EUR 3 billion stimulus package, some 1.7% of GDP, to prevent the return of high unemployment and to face the fall of industrial exports. The government will cut taxes by EUR 833m by reducing employers' social insurance contributions, and planned to increase spending on transport infrastructure and construction.

As regards business composition, according to the Federation of Finnish Enterprises, 99.7% of the total number of enterprises (253,000 in 2007, excluding farming) are small and medium-sized companies employing less



than 250 people. They employ 62% of the total workers, and produce 49% of the combined turnover of all Finnish enterprises, while as much as 93% of companies have less than 10 employees. According to these figures, small and medium-sized companies play a major role in the Finnish employment and economy, accounting for over 13 % of export revenue. 86,000 Finnish entrepreneurs are steady employers, while 154,000 work as sole entrepreneurs. One third of all Finnish entrepreneurs are women, a figure quite high in Europe.

Exports account for 40% of the country's GDP, with European Union making 60% of the total external trade of Finland. Currently, about 20% of Finnish exports consists of forestry products, almost 60% of metal and high technology industry, and the remaining 20% consists of other industries.

The largest trade flows are with Germany, Russia, Sweden, United Kingdom, USA, Netherlands and China.

Trade policy is managed by the European Union, as Finland is the only Nordic country to have joined the Euro.

The traditional strengths of Finnish market are a functional infrastructure and modern logistics and communications networks. The nearest markets (northern continental Europe, the UK, Scandinavia, the Baltic countries, and Russian areas bordering Finland) have a population of about 250 million.

Finland's strengths in working with these countries are logistics, cultural knowledge, language skills, and experience in venture capital operations. Finland is an important gateway especially for companies wishing to expand into Northwest Russia and the Baltic states, Estonia, Latvia, and Lithuania. Most of the transit trade from the EU to Russia passes through Finland, and since the countries share the same rail gauge, rail cars need no modification or reloading by crossing the border.

Investment in research and innovation enjoys a high participation in Finland: the country ranks first in Europe for utility patents, and is the third in the world for R&D spending per capita.

The strong cooperation between universities and companies and the easy access to venture capital make it possible for Finland to have the biggest turnover from innovation among the Nordic Countries, with 15.6% of total turnover coming from new products. Knowledge-driven investments dom-

inate the FDI inflow, as emerging technologies spread soon among Finnish companies and consumers. Several high-tech clusters gather small technology companies with advanced expertise but limited access to the global markets, for instance companies specializing in wireless and mobile solutions, health care and life sciences, and new materials and processes.

Taxation: The government is shifting the tax burden from labour to environmental and consumption taxes.

Corporation tax (26%) is uniform for all types of corporate income, including sales profits, interest income, dividends, royalties and rental income; value-added tax (VAT) is charged at 22% on most goods and services. Reduced tax rate of 17% is applied to the sale of food and animal feed and another reduced rate of 8% is applied to certain services.

Healthcare

Finland's public healthcare is organized into a comprehensive system of primary and secondary care network including central hospitals (and university hospitals) as well as healthcare centres. Healthcare is mainly funded through general taxation, with an additional special tax for health which is paid by everyone including those who have retired.

According to the National Institute for Health and Welfare, in 2006 health expenditure in Finland amounted to EUR 13,5 billion, a 600 million increase on the previous year. Per capita expenditure was EUR 2,586, with an increase of 4.2%. In real terms, total health expenditure increased 2.3%.

The largest expenditure categories were:

- services in specialised health care (EUR 4,6 billion)
- services in primary health care (EUR 2,9 billion)
- consumption of pharmaceuticals and other medical non-durables in outpatient care (EUR 2 billion)

These three expenditure categories accounted for about half of the total health expenditure. Health expenditure increased in all categories in the last two years, with the exception of health administration. The greatest in-





creases occurred in expenditure on travel expenses reimbursed under National Health Insurance (8.3%) and public health care investments (12.9%). Finnish healthcare technology industry is focused on a few strong branches, and over 95% of domestic production goes to exports. The Finnish medical device industry focuses mainly on high-tech medical systems for professionals, with a limited number of players in the disposable and consumer-related health product segments. The Finnish domestic market offers a good platform for the development and launch of innovative healthcare products, with a prevalence of export (over 90% of the medical equipment produced is exported).

There are about 90 medical technology companies, 15 of which focus on the dental sector. Most of these companies are based in the Helsinki, Turku, Tampere and Oulu region, generally with a few employees.

However, Finland accounts for 5.2% of European employment in the medical technology industry, a remarkable percentage if compared to Finland's total population of only 5 million.

Biotechnology is one of the most important growing sectors, with a great number of new companies being created every year, and it is estimated that about one tenth of European biotech companies is Finnish.

The trend is significant considering that large international pharmaceutical companies are increasingly outsourcing research to small bio-tech firms that, for instance, currently contribute for over a half of new drugs discoveries. According to a report released by the consulting agency "Invest in Finland", the annual turnover of private companies operating in Finland's healthcare and social services sector was estimated as EUR 2,55 million in 2005. Over the last ten years, annual growth in private sector has ranged from 10 to 15% in healthcare service provision and from 15 to 25% in providing social welfare services.

The largest business sector for private companies is currently the provision of medical services, including the secondary (specialist and hospital) care and occupational health services, rather than the provision of social and well-being services. However, the public sector is outsourcing medical services such as primary health care centres, and private medical care centres that operate locally now, could build up larger chains and become new players.

Another developing sector is health tourism, as Finland's proximity to the Russian market makes it an attractive destination, with facilities in the eastern part of Finland already providing services to Russian clients.

Top international medical device companies such as Philips, GE, Siemens, Toshiba, Ambu, Baxter and Boston Scientific have set up subsidiaries in Finland to penetrate local markets and access Finnish end-users, sometimes also benefiting from the good environment for R&D and innovation.

Future healthcare sector development necessarily involves ICT, as the move to electronic health records is expected to influence therapies and healthcare provision.

E-health is emerging as a new industry whose spending is estimated to account for 5% of the total health budget of the EU's 25 Member States by 2010.

The regions of Helsinki, Oulu, Tampere and Kuopio are focusing on the development of specialized centres of welfare technology expertise. In Tampere, a development and investment programme called BioneXT was launched in 2003 focusing on research, product development, clinical application and the international commercialization of biotechnology, whose aim is to reach EUR 100 million for investments.

New ICT healthcare solutions are also being tested and assessed nationwide.





There are approximately 4,900 dentists and 1,545 dental hygienists in Finland, with a dentists to population ratio of 1: 1,180 patients per dentist, and about 2,600 dentists working in private practices. About half the private practitioners work in single dentist practices and approximately 600 are employees of private dental care firms. Most dentists in private practice are self-employed and earn their living through charging fees for treatments. The dental services are delivered either through the system of primary health centres funded by the municipalities, or by private dentists, denturists and dental laboratories. The public dental service provides services to 2 million people. In total the service employs about 1,900 - 2,000 dentists, but with a

reduction in local government funds this number is likely to decrease. It is estimated that for about 800,000 to 1 million people, municipality health centres are the only accessible providers of healthcare.

Children are entitled to free dental treatment until the age of 18, including orthodontics, but for adults a scale of charges is set by the local government, with the maximum charge set by the Ministry of Health and Social Affairs.

From December 2002, every adult person can either receive municipal dental care or get reimbursement for private dental fees.

Those born after 1956, war-veterans and the medically compromised persons are entitled to some subsidies from the government Social Insurance Institution named "KELA", based upon a fixed schedule of fees.

The standard package includes 75% of the cost of examinations and treatments which are covered by the schedule e.g. diagnosis and X-ray investigation, prevention and 60% of other items e.g. fillings.

Treatments which do not attract a government subsidy include crowns, crowns and bridges, orthodontics, implantology and removable prosthodontics or the services of a dental technician.

Dental Care

Dental Workforce:	
Private practice	2,656
Hospital	35
University	200
Public Dental Service	1,989
Military	29
Student Health Service	59
TOTAL	4,968
Main national association:	Finnish Dental Association

Source: jasenpalvelut.hammasll.fi/eng/finland.htm

Each year, approximately 350,000 adults in Finland receive care within the scheme. In addition, 30,000 war veterans also receive subsidised care.

At present about 36% of dental care is state-funded (half by the municipalities, half by central government) and 56% is paid for directly by households. Remaining 7% of the balance is paid by KELA and 1% by employers.

In Finland, less than 1% of people use private insurance schemes to cover their dental care costs.

One main private insurance scheme, Pohjola, covers about 25,000 people, 95% of them through their employers. The schemes are regulated by insurance law only, and cover is usually only available to those who require no immediate dental treatment.

Under private insurance schemes the patient pays the dentists and then reclaims the cost.

Market Overview

Major companies supplying dental equipment, instruments and materials are Oriola Dental Care, which covers all dental care products in Finland, Sweden, Denmark, and the Baltic countries, and Plandent Oy, a full-service dental supply company that provides also installation and maintenance services. The parent company, Planmeca Oy, is headquartered in Helsinki and is one of the world's leading manufacturers of high-tech dental equipment and the largest privately owned company in the field.

Other manufacturers are Ajat Oy, Soredex (dental x-ray and imaging systems), Fimet and Finn dental (dental units).

The latest figures available from the Finnish National Board of Customs* for dental trade refer to 2007.

Import of dental equipment totalled \$4.5 million in dental drill engines; burrs, discs, drills, and brushes amounted to \$5.1 million; and other instruments to \$34.7 million. Finnish market is receptive to high quality and technically sophisticated dental equipment.

**Figures released by the US Commercial Service*

Concerning exports, the total amount in 2007 was \$110 million. Export of X-ray and radiological machines enjoyed record exports in 2007, representing the special areas of Finnish expertise, in which Finnish innovations are worldwide market leaders.

Biodegradable implants and bioglasses used in dental surgery are also increasingly employed in new medical and cosmetic uses, offering growing market potential. Export of dental care instruments and machines similarly increased in 2007, as part of a larger main group of surgical instruments, while dental drill engines exports amounted to \$55 million.

However, the contraction of exports which stroked Finland quite heavily in the first quarter of 2009 is likely to affect dental exports as well over the next period.

The dental technology industry in Finland employs about 1,100 people, with 900 dental technologists, and 400 out of them who have completed further training as denturists.

Dental technologists usually work with private dental laboratories or for suppliers of dental products mainly as representatives and sales personnel. Finland has 435 dental laboratories, almost 200 of which are denturists' practices.

The major part of Finland's dental laboratories are privately owned, except for a few health care centres and university laboratories. Finnish dental laboratories are small companies typically employing 2-5 people, with only a few employing more than ten workers.

Around ten companies, mainly based in the Greater Helsinki area, sell equipment and materials to the dental technology industry.

Finland's local legislation concerning medical devices (including dental) complies with EU directives.



The main dental trade event is the "Finnish Dental Congress and Exhibition", bringing together the main players in the dentistry sector: dentists, dental assistants, oral hygienists, and dental technicians, as well as suppliers and importers of dental products and services.

The 2009 edition will be held in the Helsinki Fair Center in November, 19-21. More information is available on the exhibition's website www.finnexpo.fi.

Sources:

Suomen Hammaslääkäriliitto

(Finnish Dental Association)

Fabianinkatu 9 B

00130 Helsinki, FINLAND

Tel: +358 9 680 3120 - Fax: +358 9 6223050

hammas@fimnet.fi - www.hammasll.fi

Statistic Finland (www.stat.fi)

The Economist/Country Forecast (www.economist.com/countries/finland)

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