



Quarterly Review

Q1/2022

The State Treasury publishes a quarterly review, which includes information on recent developments in debt management and an outlook for the upcoming quarter.

OUTLOOK FOR THE FINNISH ECONOMY AND PUBLIC FINANCES

According to Statistics Finland's preliminary data released in March, the volume of Finland's GDP rose by 3.5 % in 2021. Finland's economy seems to have recovered rapidly from the downturn caused by the global pandemic. This development was driven especially by domestic demand.

As regards this year, the impact of the Russian invasion of Ukraine on the Finnish economy is difficult to predict as the duration and scope of the war remains open. It is clear that Finnish exports to Russia will be directly hit by the war and its economic and political consequences. The share of exports to Russia was some 5% of Finland's total exports in 2021.

The implications of the Russian war on the Finnish economy will, however, be wider by way of decreasing the growth prospects of the Finnish economy. This has been projected, for instance, by the Bank of Finland. As an example, consumer confidence plummeted in March when compared with February, according to the recent survey carried out by the Statistics Finland. The Ministry of Finance will publish the next economic forecast in April, providing more insight into the economic situation in Finland.

The general government deficit was significantly reduced in 2021 compared to the deficit seen in the previous year. According to the Statistics Finland, the general government debt relative to GDP stood at 65.8 % in the end of last year. This represented a decline from the previous year.

Finland's relatively strong public finances and modern economy, among many other things, have traditionally been reflected in the high credit ratings of the central government. The central government of Finland has solicited credit ratings from two credit rating agencies: Fitch Ratings and S&P Global Ratings. For long-term debt both agencies have assigned an AA+ credit rating with a stable outlook for the rating. Calendar dates for their rating announcements are published on the State Treasury's central government debt management website on: [Credit ratings](#). The State Treasury also publishes several other rating reports on the same website during the year.

REVIEW OF TREASURY OPERATIONS BY THE STATE TREASURY, JANUARY TO MARCH 2022

The first market operation of the year by the Republic of Finland was a tap auction of the RFGB 15 September 2026 bond on 18 January 2022. The auctioned amount was EUR 995 million, with a bid-to-cover of 1.85, increasing the outstanding stock of the bond to EUR 3 995 million after the auction. The bond was priced at 101.180 to yield -0.252% in the auction.

The first syndicated issue of the year on 26 January was a new EUR 3 billion benchmark bond maturing on 15 April 2043. The 20-year tenor attracted an order book of over EUR 16 billion, and over 100 investors participated in the deal. The bond was priced 5 basis points below the euro mid-swap curve with a re-offer yield of 0.528%.

The second bond auction in the first quarter of the year took place on 15 March when the 10-year benchmark maturing on 15 September 2031 was auctioned. The bid-to-cover ratio was 1.69, and the auctioned amount of EUR 1000 million raised the outstanding amount of the bond to EUR 6 375 million.

In terms of Treasury bill issuance, two auctions of euro-denominated Treasury bills were conducted. The auctions were held

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on 8 February and 8 March, raising a total amount of EUR 2 490 million. The auctioned bills' maturity ranged from 6 to 10 months and yields were between -0.64% and -0.58%. Bid-to-cover ratios ranged from 1.50 to 2.26.

The tap window for T-bill issuance in USD-denominated bills was open in March, producing USD 2.4 billion of issuance with a maturity of 6 months.

NEAR-TERM OUTLOOK FOR THE PERIOD OF APRIL TO JUNE 2022 AND BEYOND

According to the latest supplementary budget by the government for the year, dated 2 March, the net borrowing requirement is estimated at EUR 7.634 billion, resulting in a gross borrowing amount of EUR 29.272 billion. Approximately EUR 17.5 billion of this amount is expected to be covered with long-term debt, and the rest (11.8 billion) with short-term debt.

In the second quarter of the year, the State Treasury is planning to issue a second new euro benchmark bond, which is likely to have a 10-year maturity. The long-term funding operations are expected to include two to three euro benchmark bond tap auctions during the quarter. The State Treasury estimates to complete about 60 per cent of the above annual long-term funding by the end of June.

The next bond auction is expected to take place on 19 April 2022. Further details on the auction and an updated auction calendar are published on: [Serial bond auctions](#).

As in previous years, bonds may be issued under the EMTN programme to complement the funding in euro benchmark bonds during the year, market conditions permitting.

The next auction of euro-denominated Treasury bills will take place on Monday 11 April 2022. The auction will be arranged in the Bloomberg Auction System and is open to the RFTB dealer group. Further information on Treasury bill auctions and a quarterly updated auction calendar will be published on: [Treasury bill auction](#).

In addition to Treasury bill auctions, an issuance window may open during the second quarter of the year. The timing of the Treasury bill issuance is subject to the liquidity position and refinancing needs of the central government. Treasury bills are issued in euros and US dollars with monthly maturity dates.

The next Quarterly Review will be published on 30 June 2022.

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