



State Treasury
Republic of Finland

Finnish central government borrowing

May 2022



Valtiokonttori
Statskontoret
State Treasury

AA+

AA+

Credit ratings

The government has solicited credit ratings from two credit rating agencies: S&P Global Ratings and Fitch Ratings.

For long-term debt, they are

AA+ and AA+

(stable, stable)



1 Finnish economy



The impact of the Russian invasion of Ukraine on the Finnish economy is difficult to predict

Baseline scenario (*April 2022*) by the Ministry of Finance assumes limited duration of the war.

- Finland's economic growth will slow this year, but not stop or go into recession. Sanctions against Russia will slow growth to 1.5% in 2022.
- The sanctions have increased energy, oil, gas and electricity prices, however the price pressures are expected to ease.
- Consumer price inflation is expected to reach 4% in 2022.
- Exports to Russia account for around 4.5% of total exports. Interruption of all export to Russia would cut 1-1.5% of the Finnish GDP.

Risk scenario (*April 2022*) by the Ministry of Finance assumes prolonged war and expanded sanctions.

- The scenario assumes a complete discontinuation of trade in energy commodities with Russia. The lost energy supply would be replaced by energy sourced from elsewhere or by other forms of energy.
- Escalation of sanctions or the war would lead to larger effects on the Finnish economy and public finances.
- The GDP growth in this scenario would be 0.5% in 2022.

Sources: Ministry of Finance April 2022

Output growth will not slow below potential output in Finland this year

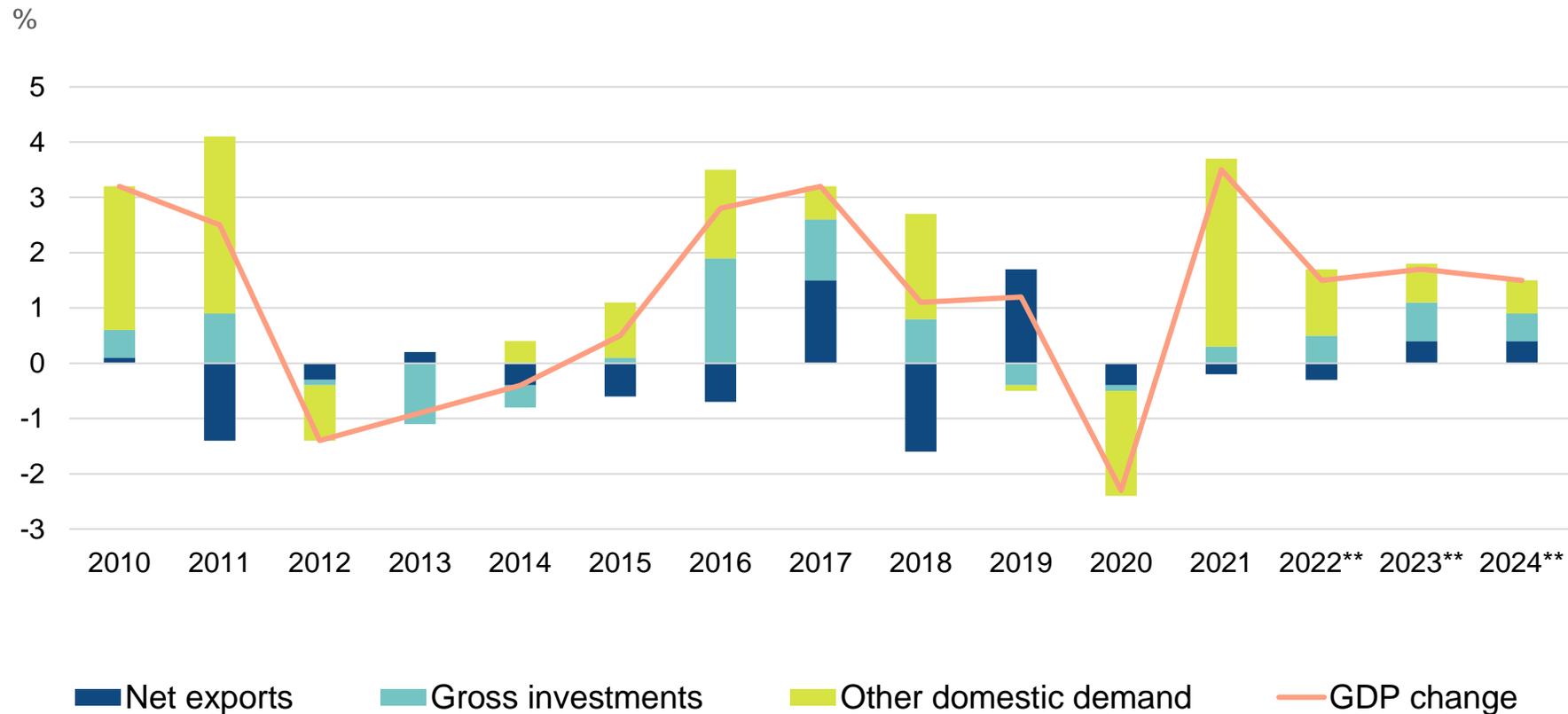
- Exports to Russia are projected to contract significantly. The drop in exports mainly relates to goods, whereas service exports will remain strong.
- Due to uncertainty, investment growth is slowing, but housing starts remain at high level.
- The employment rate is very high.
- General government deficit continues to improve in 2022-2024.

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------------------|------|------|------|------|------|
| GDP change, % | -2.3 | 3.5 | 1.5 | 1.7 | 1.5 |
| Inflation, % | 0.3 | 2.2 | 4.0 | 2.1 | 1.7 |
| Current account, %/GDP | 0.7 | 0.7 | -0.1 | 0.2 | 0.4 |
| Private investment change, % | -2.9 | 4.6 | 0.9 | 2.1 | 3.2 |
| Exports change, % | -7.5 | 4.7 | 2.0 | 4.4 | 5.1 |
| Unemployment rate, % | 7.7 | 7.7 | 7.2 | 6.8 | 6.6 |
| Public deficit, %/GDP | -5.5 | -2.6 | -2.2 | -1.7 | -1.4 |
| Public debt, %/GDP | 69.0 | 65.8 | 66.2 | 66.9 | 68.0 |

Source: Ministry of Finance, Spring 2022

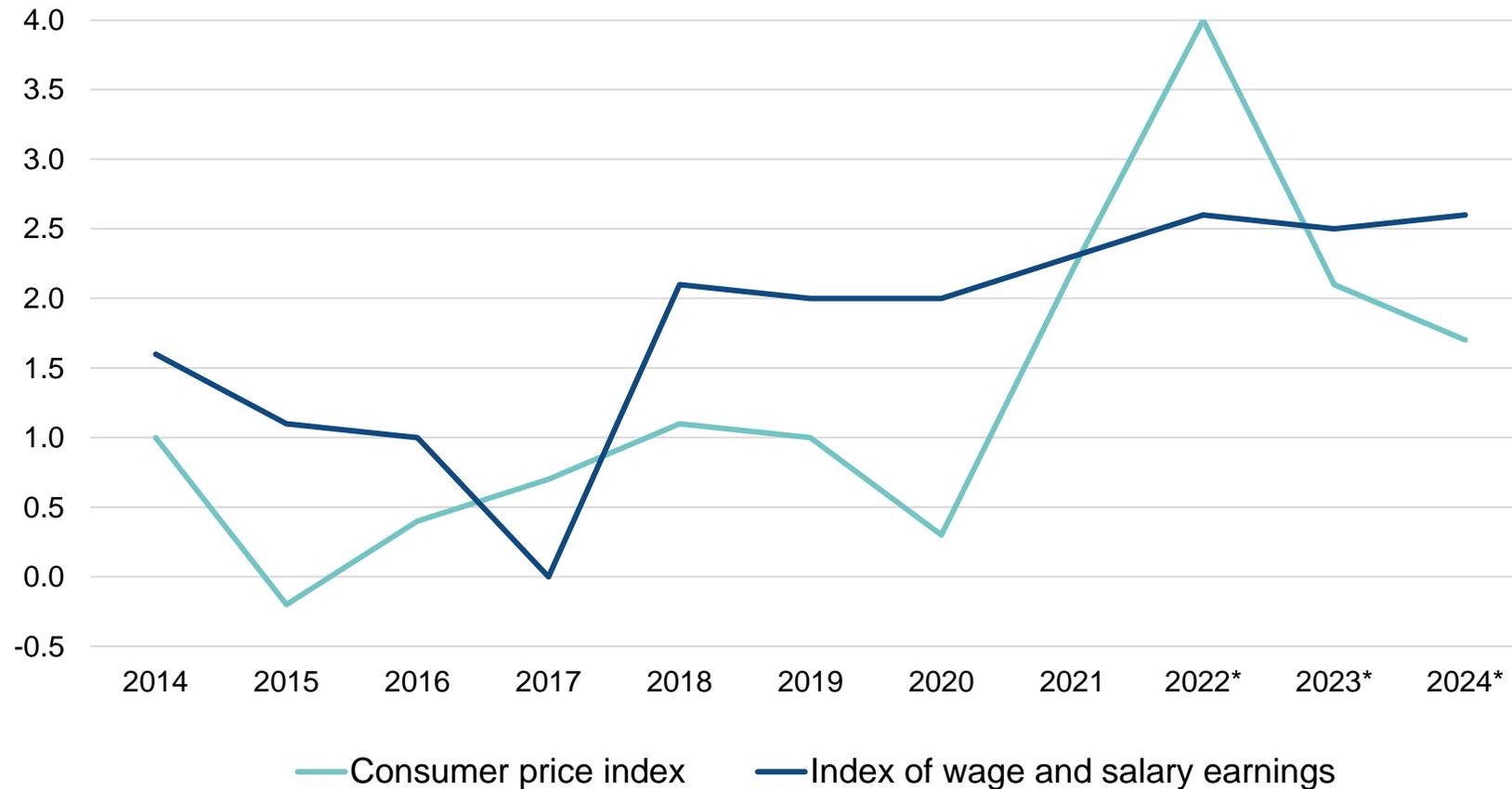


Economic growth slowing due to a decline in exports and manufacturing output

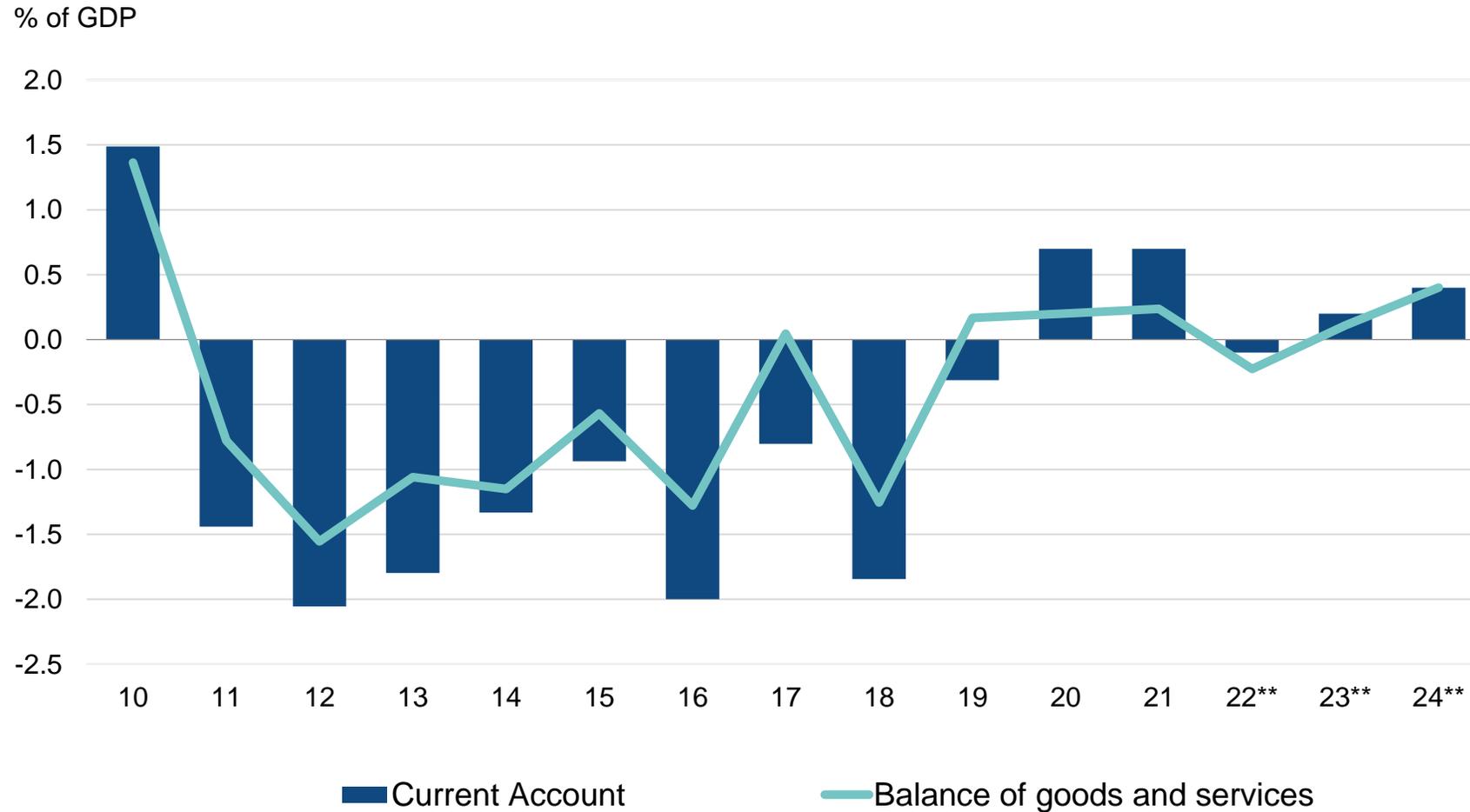


Energy prices constituting the largest item accelerating inflation

change from previous year, %

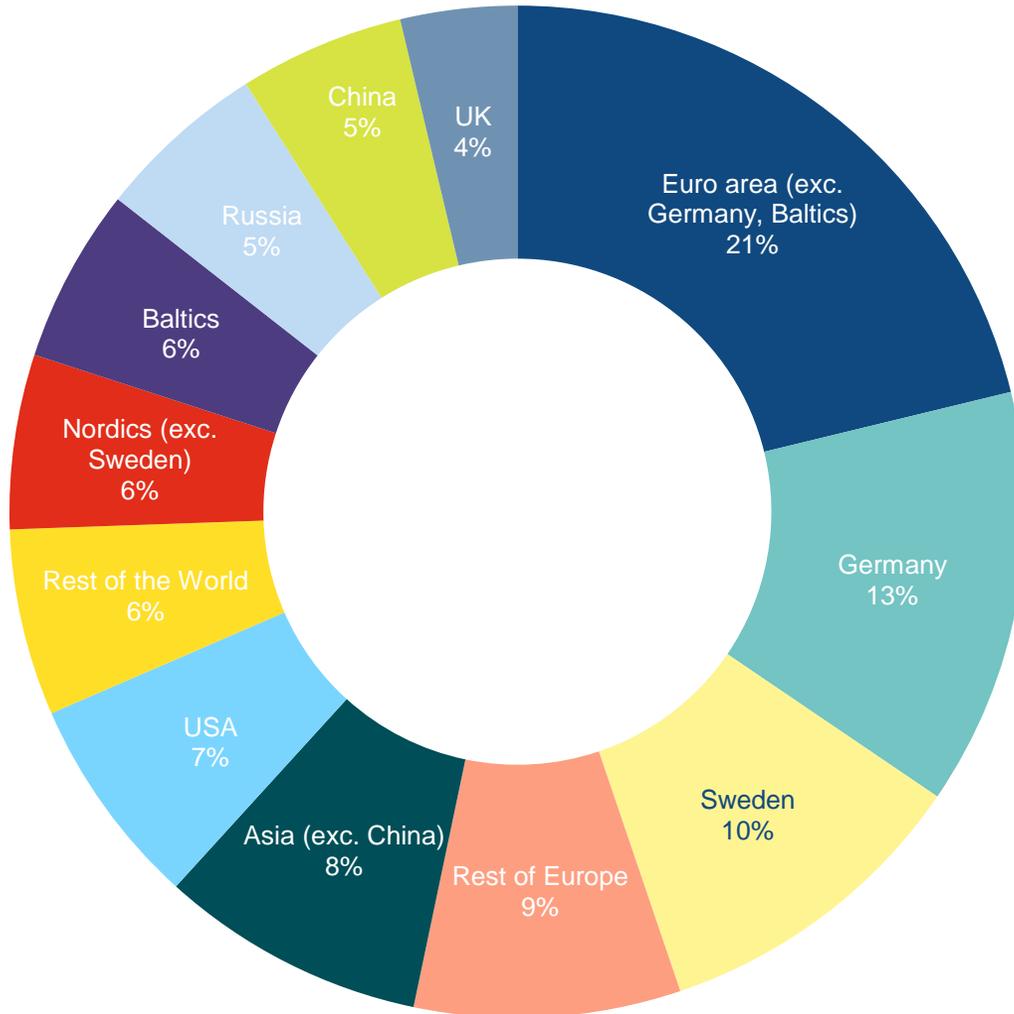


Current account recovering in 2023-2024

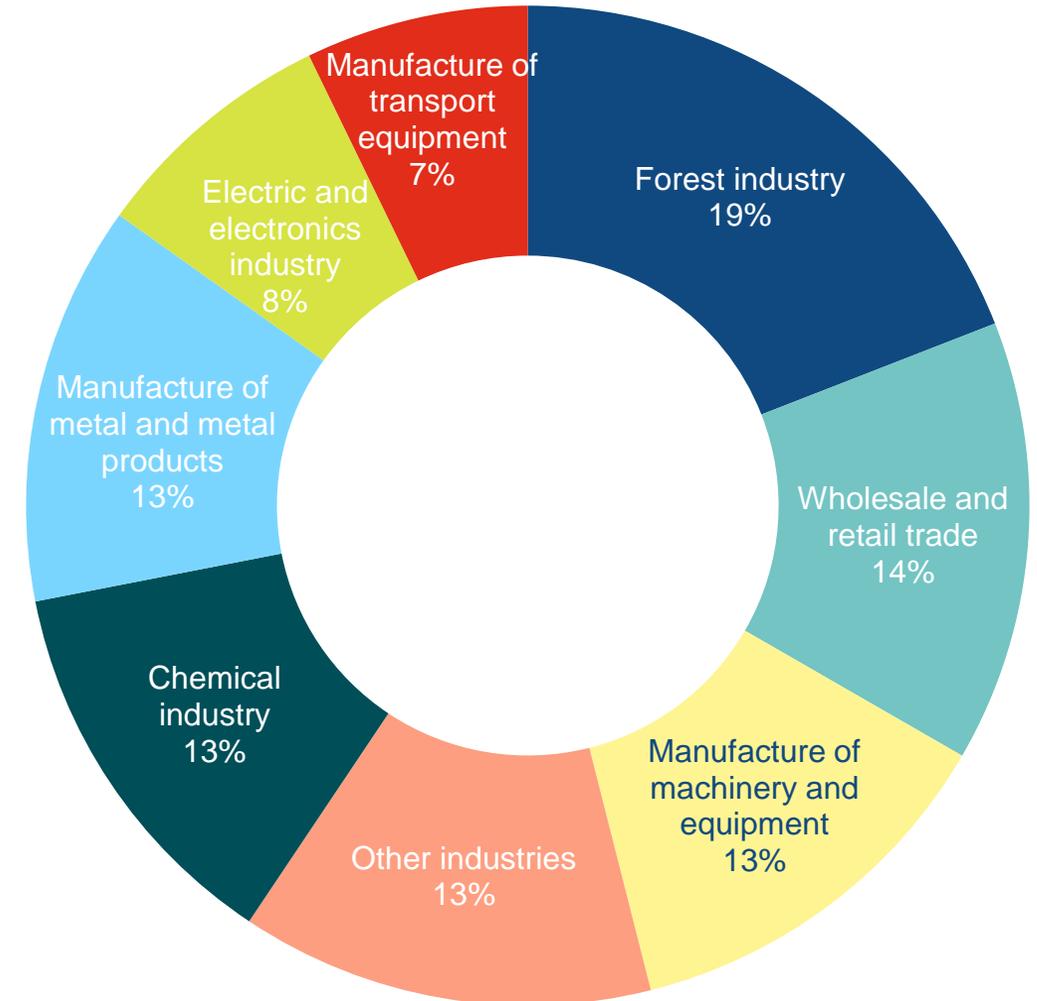


Exports of goods

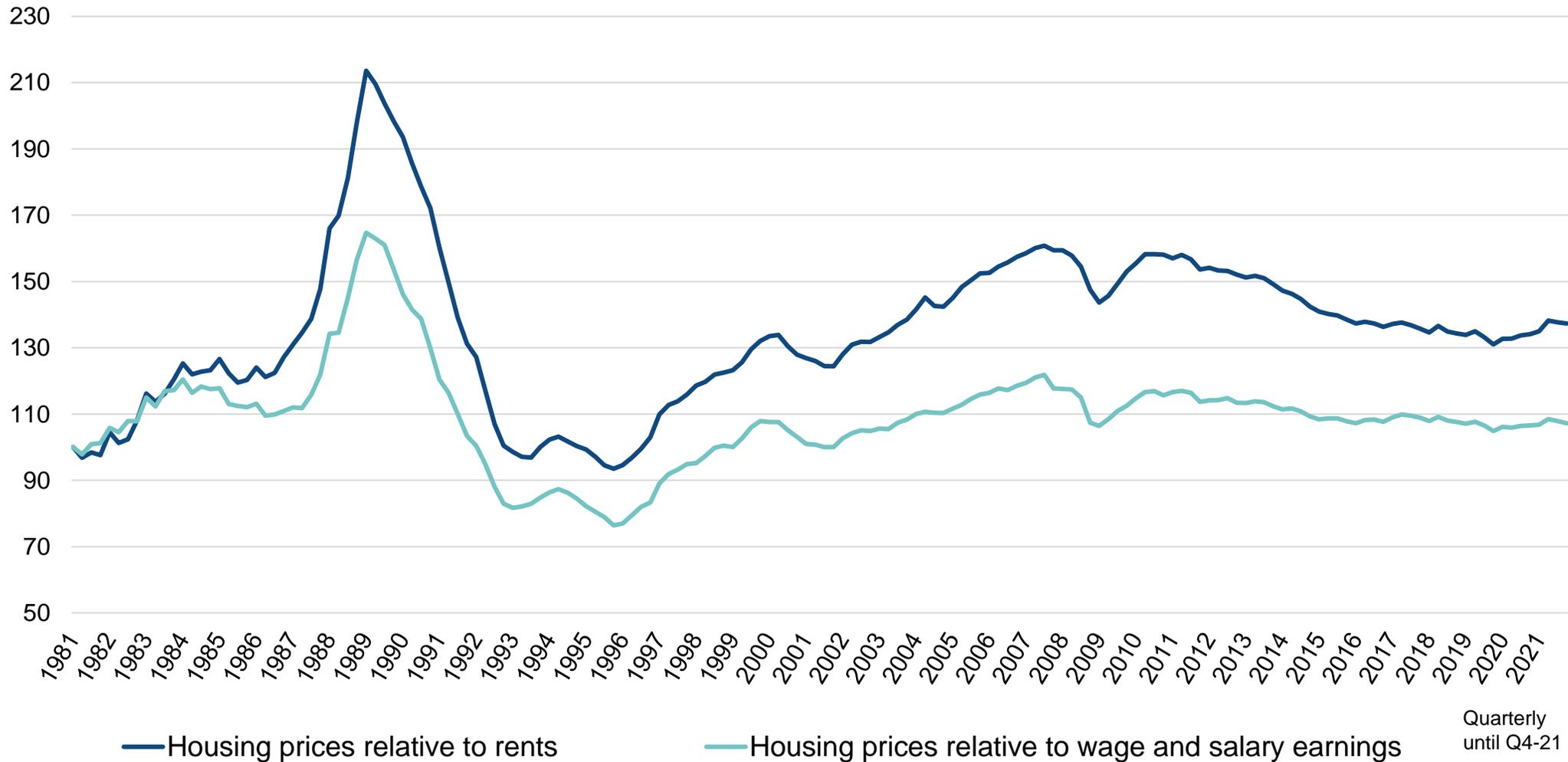
Exports by countries of destination in 2021



Exports by industries 2021

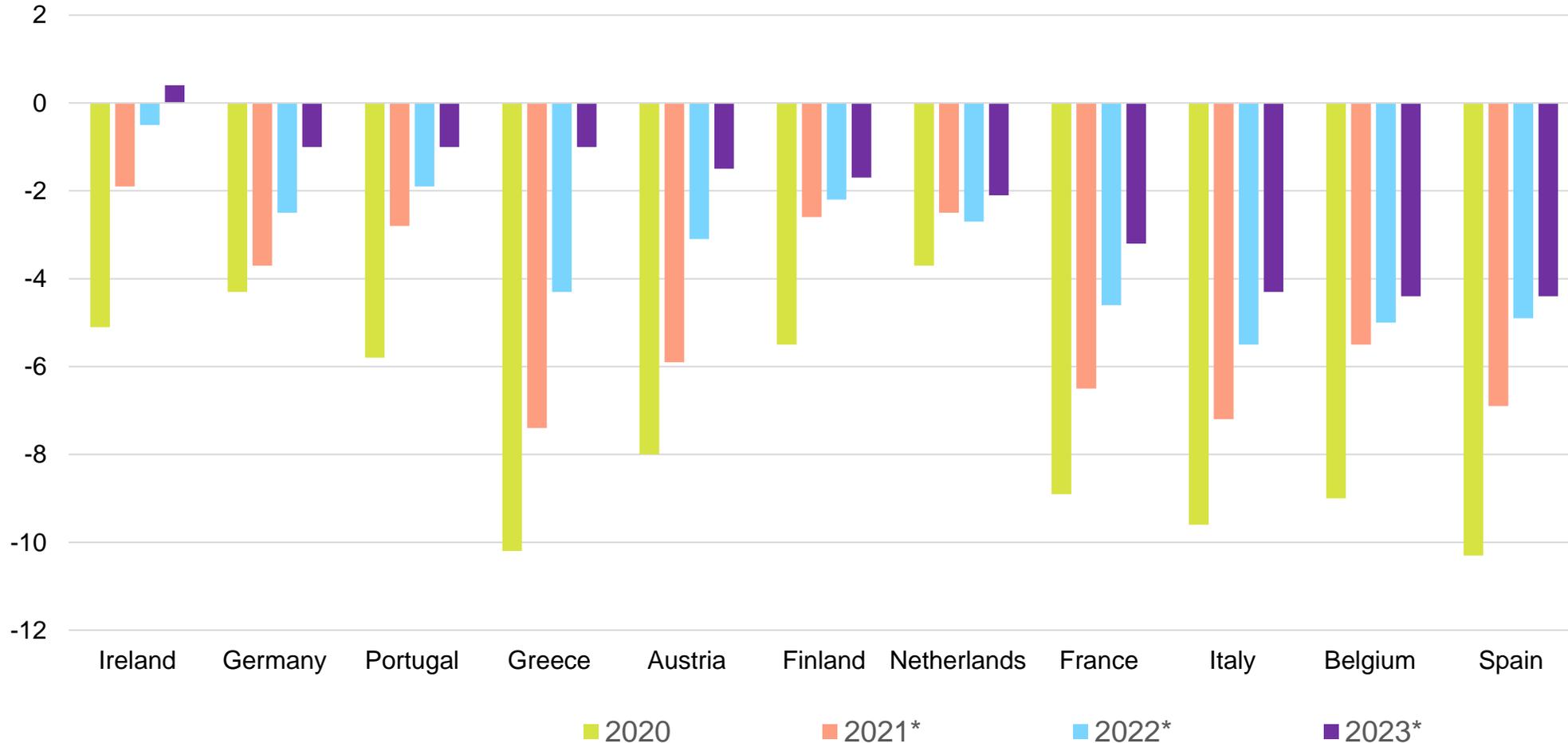


Relative housing prices in Finland



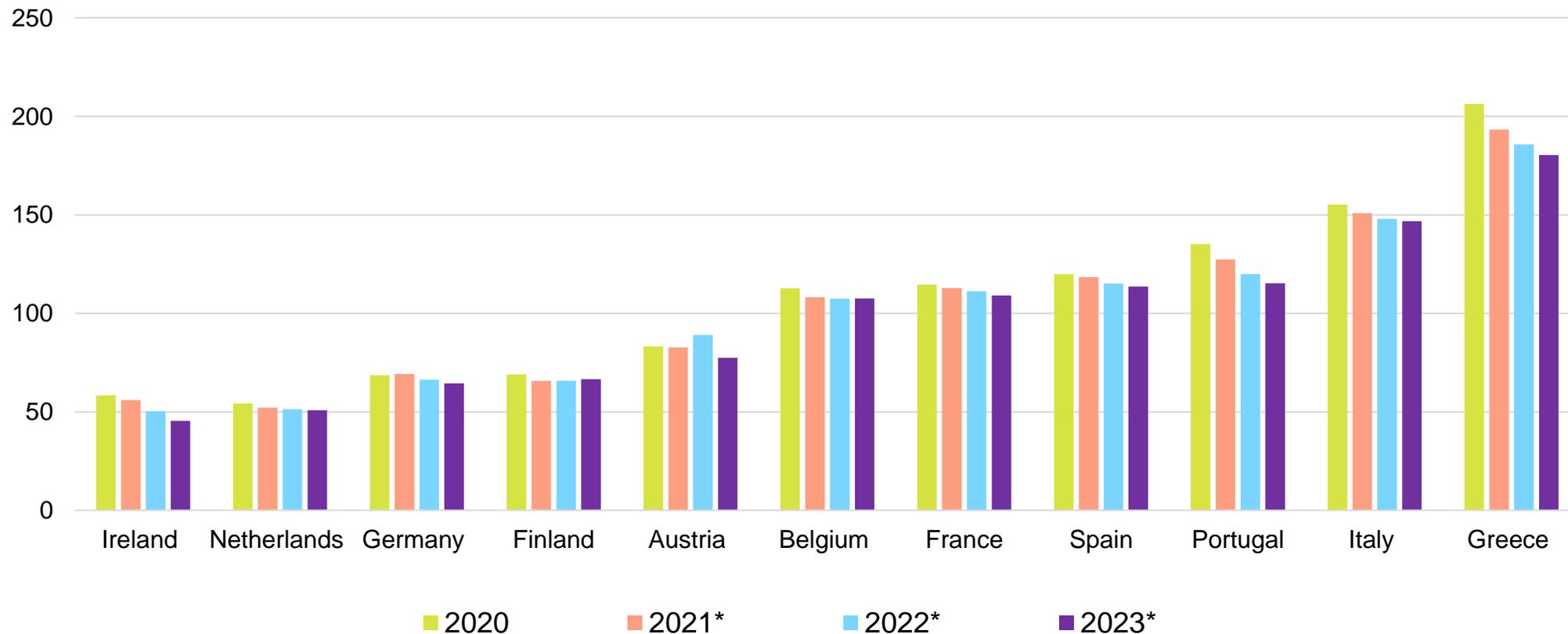
EMU general government financial balance

in ratio to GDP, %

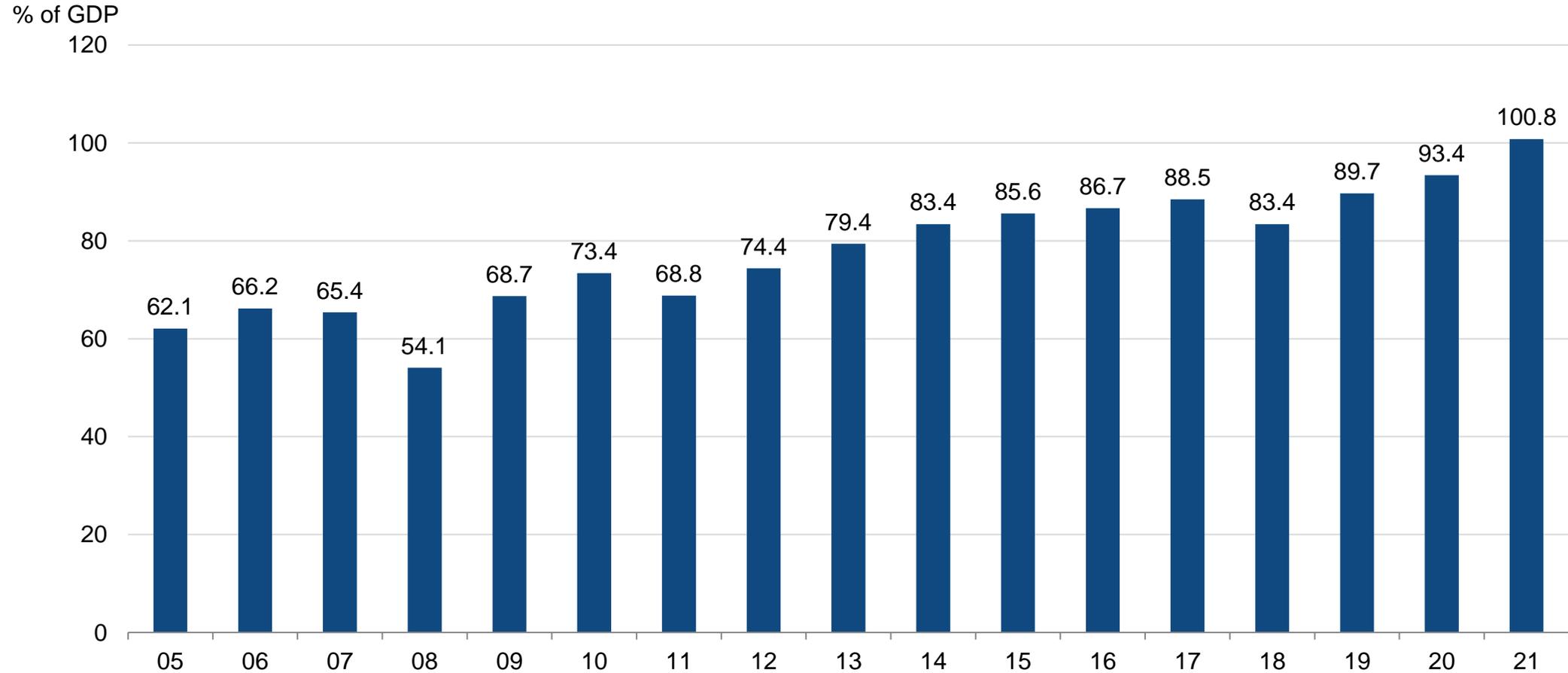


The public debt-to-GDP ratio in Finland is one of the lowest in the euro area

EMU general government gross debt, % of GDP



Earnings-related pension assets including public sector pension assets

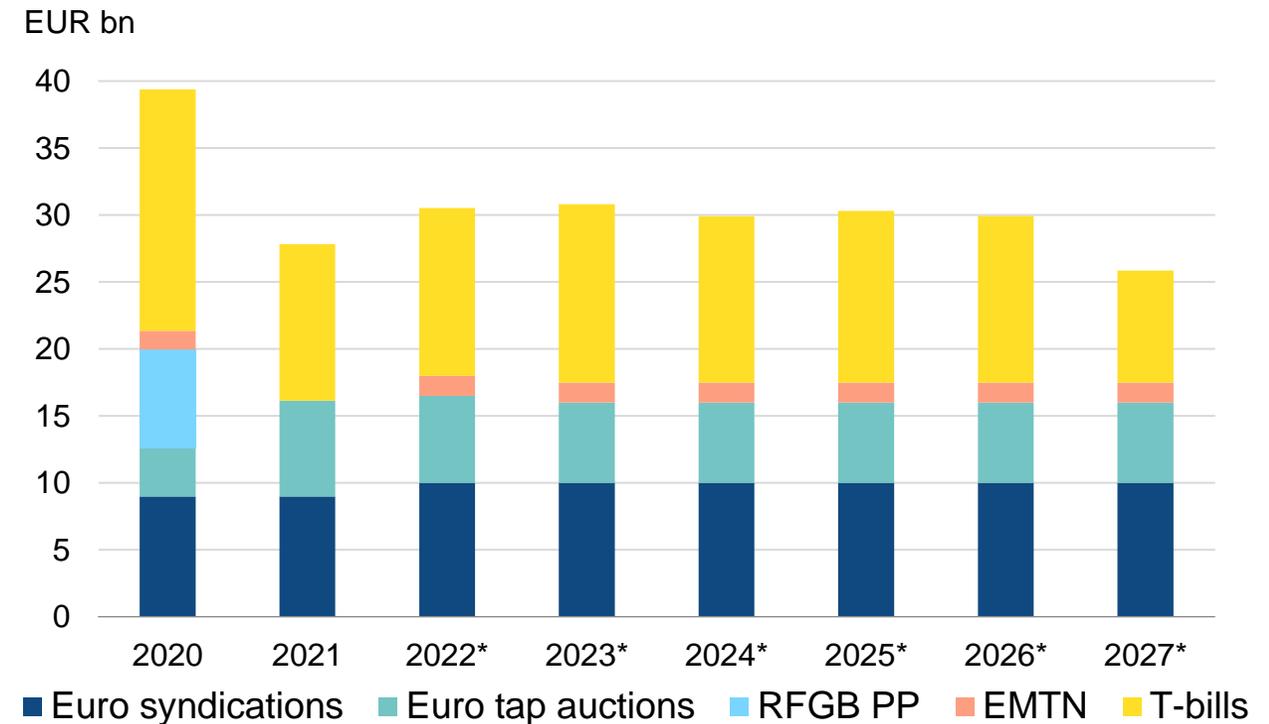
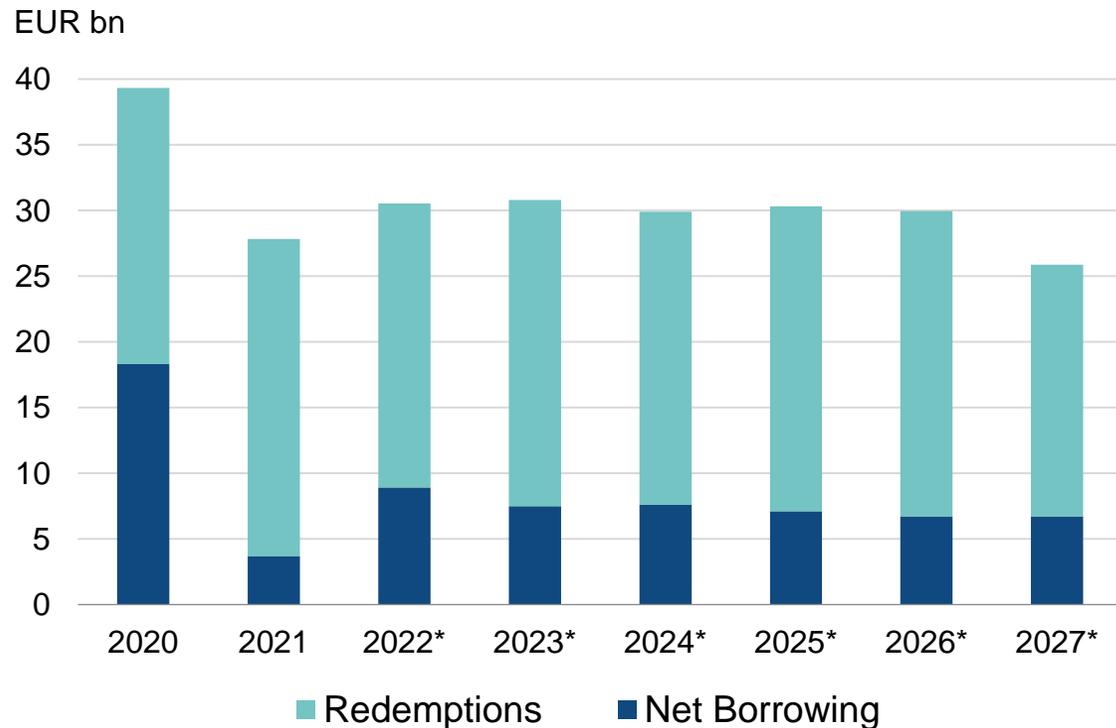




2 Funding



Central government gross borrowing estimate and projected funding instrument allocation

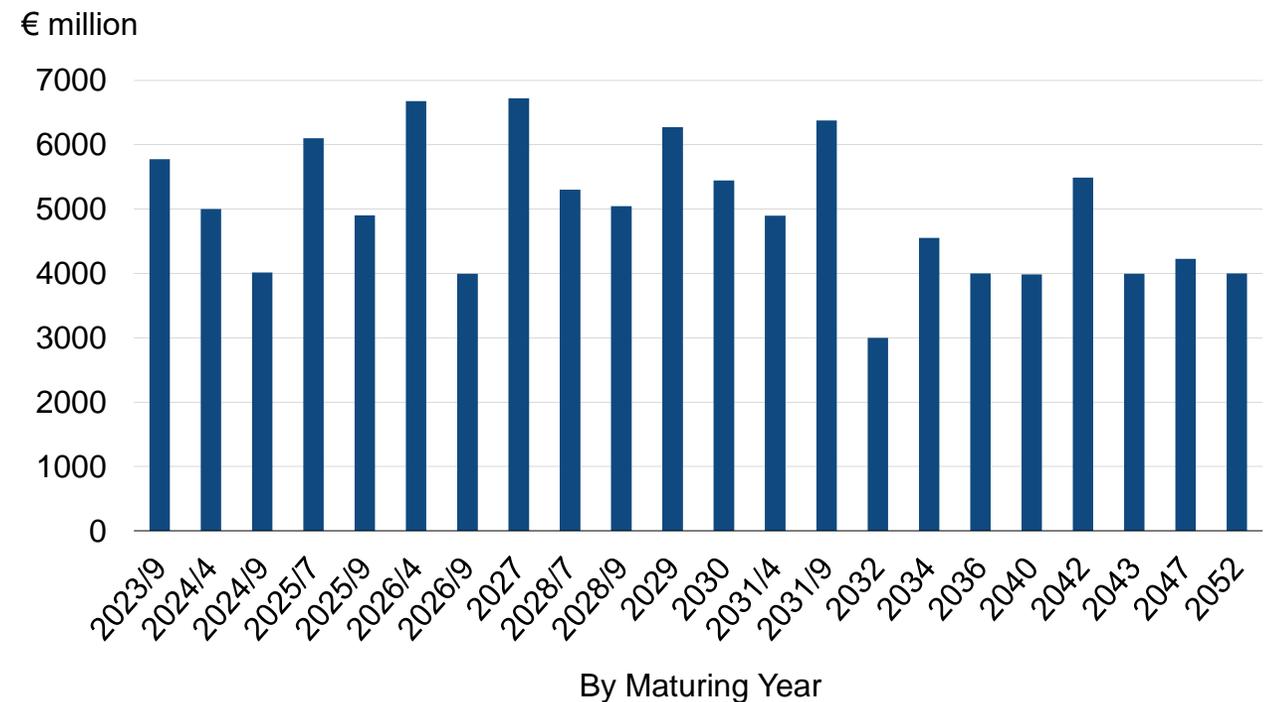


Funding strategy

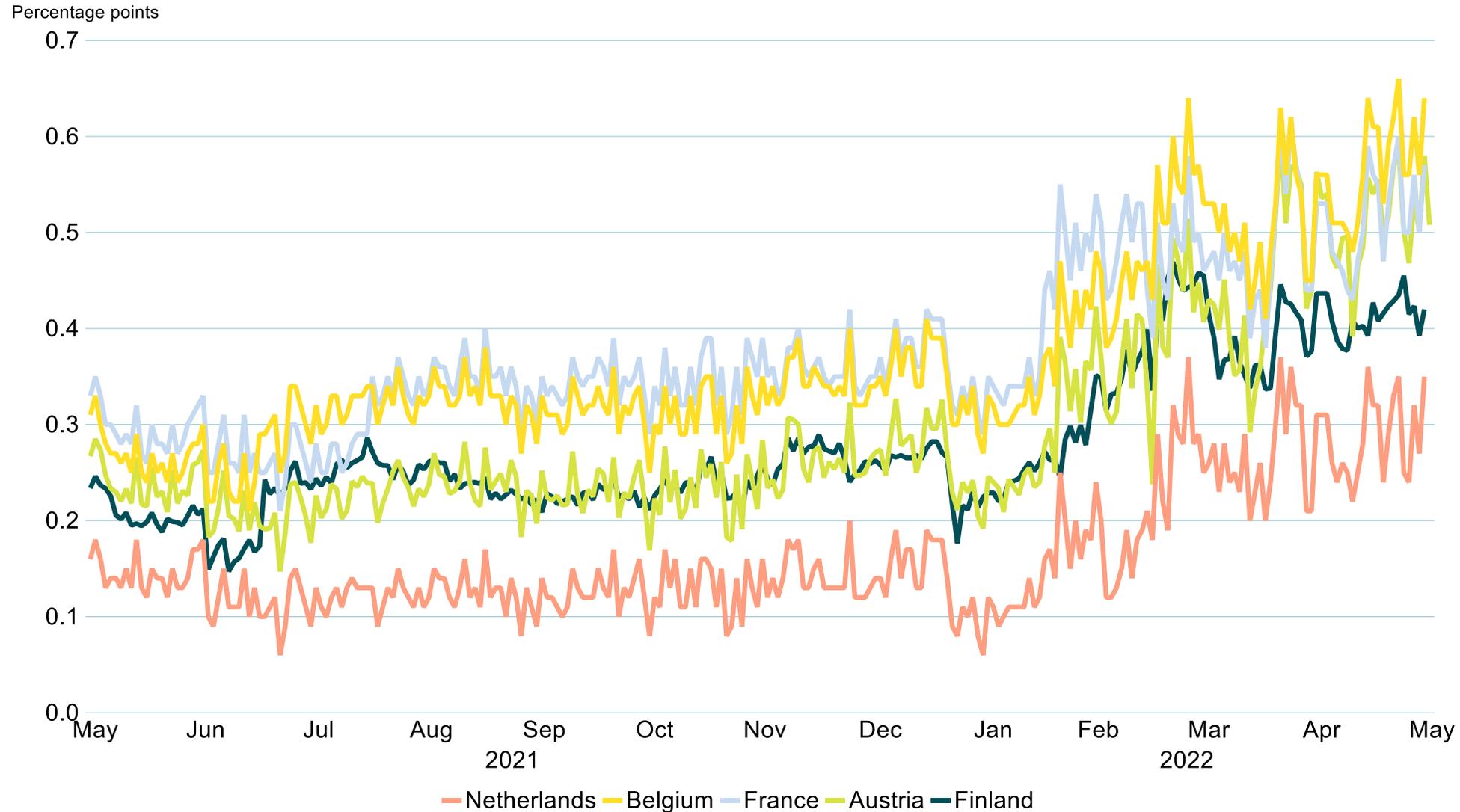
“Maintaining a globally diversified investor base by geography and investor type”

- Euro benchmark bond curve to 30 years
- Three syndicated euro benchmark bonds per year complemented by tap auctions
- Liquidity in focus – Primary Dealers and 3 inter-dealer platforms (MTS, BrokerTec, BGC E-Speed)
- EMTN issuance complements euro benchmark bonds

Benchmark bonds outstanding



10-year government bond yield spreads to Germany



Primary Dealers 2022

BofA Securities
 Barclays
 BNP Paribas
 Citi
 Crédit Agricole
 Danske Bank
 Deutsche Bank
 Goldman Sachs
 HSBC
 J.P. Morgan
 Nomura
 Nordea
 Société Générale

Sustainability in Finland: current themes

- Finland ranks high in many comparisons and is by many metrics a global forerunner in sustainability
- Finland ranks #1 in the UN Sustainable Development Goals country ranking 2021
- The Government's climate neutrality goal is 2035 but current measures are not sufficient, therefore:
 - **New Medium-term Climate Change Policy Plan 2022**
 - **Update of the Energy and Climate Strategy in 2022**
- The Health and Social services reform 2023
- Tackling the COVID-19 aftermath

Finland

#5th least vulnerable country in the world to the negative impact of climate change

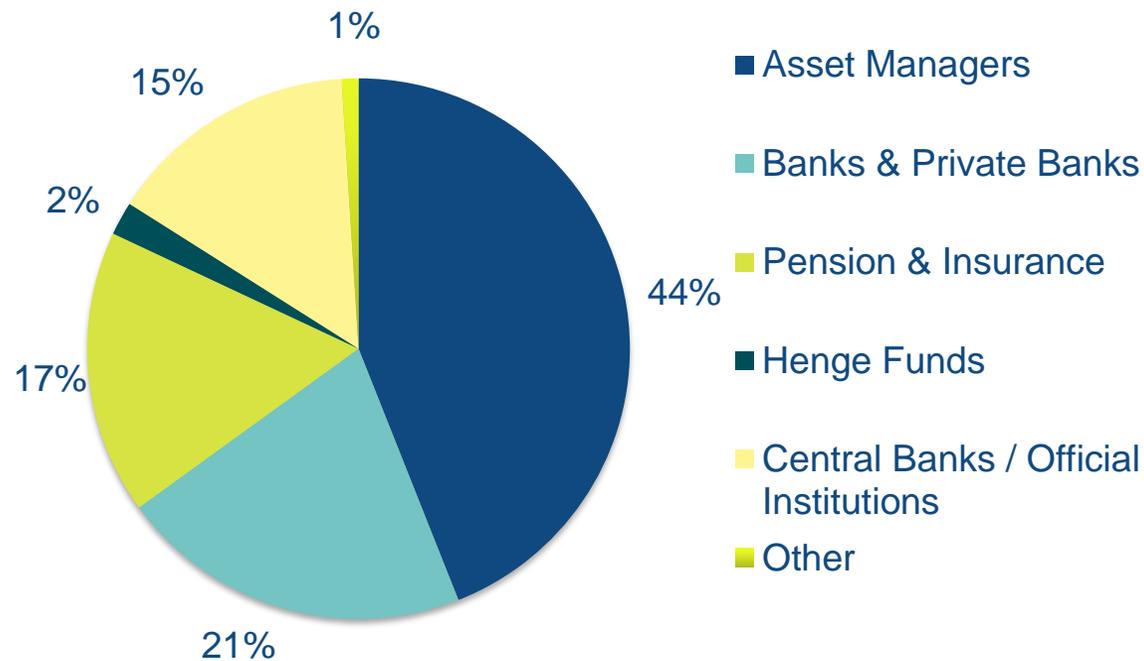
#5th most ready country to adopt to climate change.

The ND-Gain Matrix (2020)

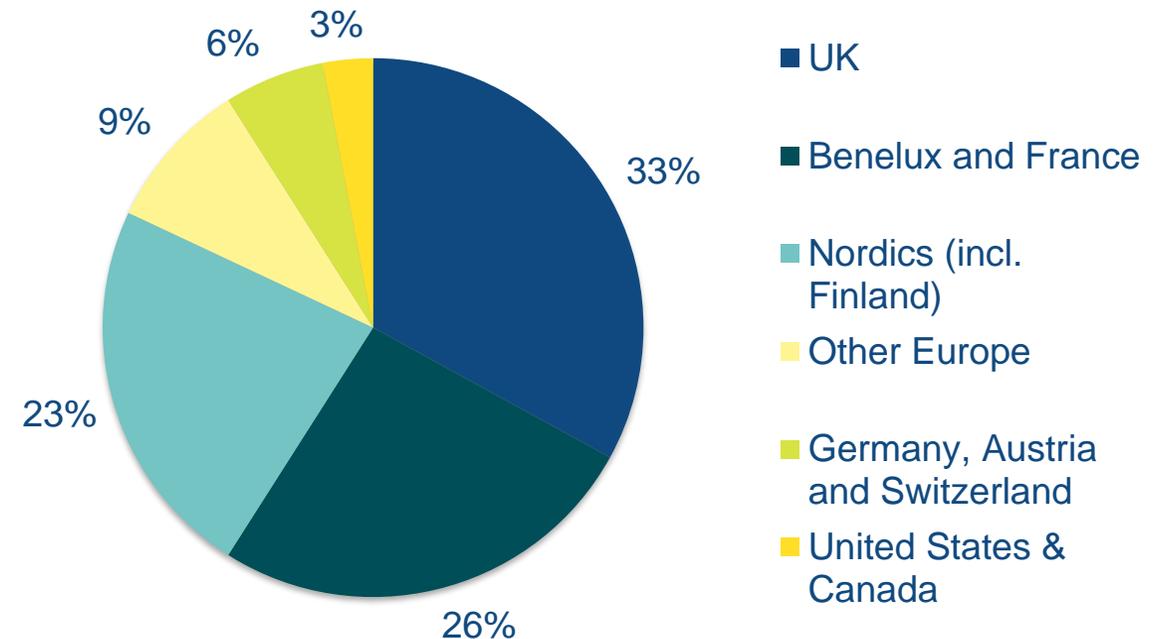
Investor base for RFGB 1.5% EUR 3bn due September 2032

- Launched in May 2022
- Allocated to over 80 investors

Distribution of the bond by investor type



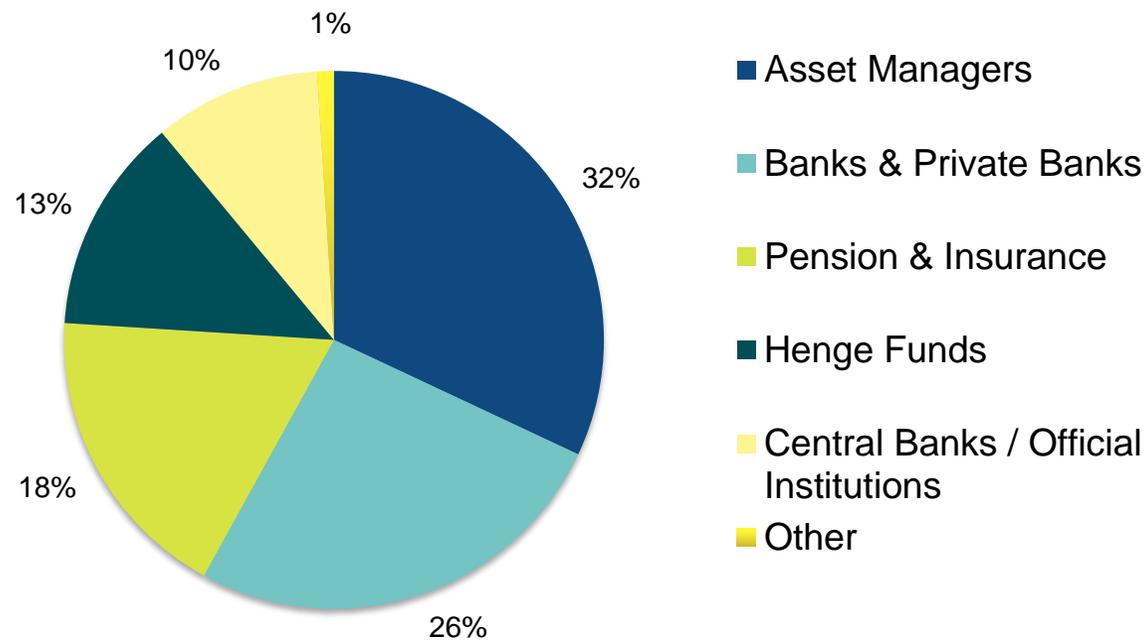
Distribution of the bond by region



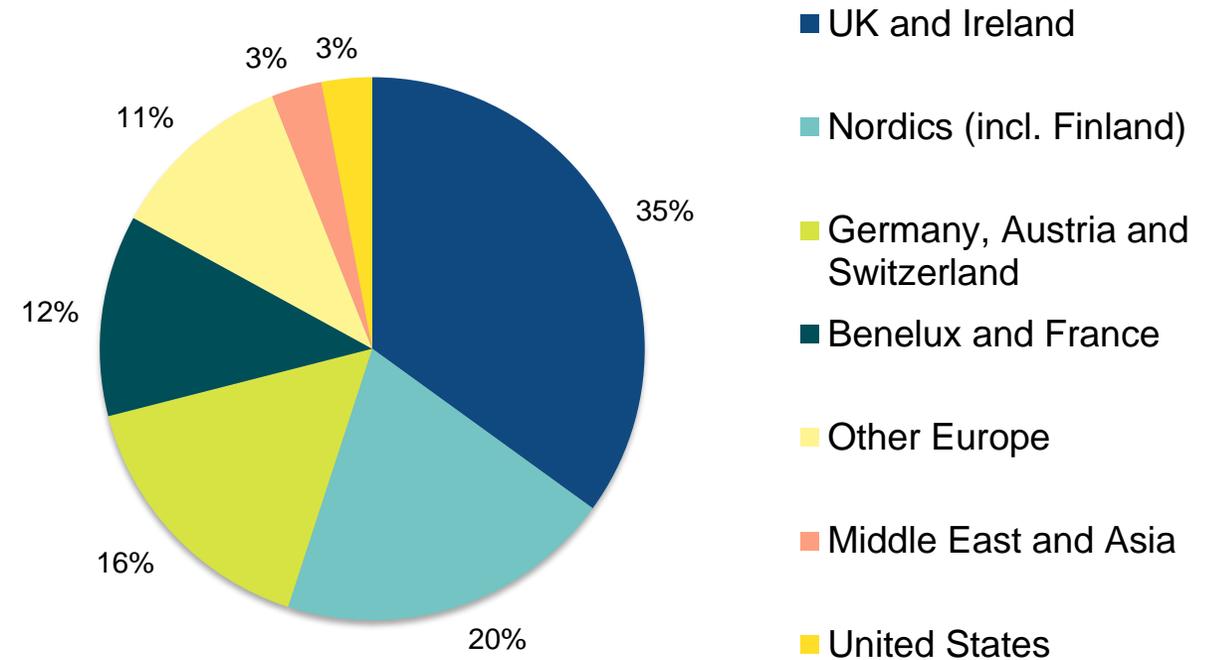
Investor base for RFGB 0.500% EUR 3bn due April 2043

- Launched in January 2022
- Allocated to over 100 investors

Distribution of the bond by investor type



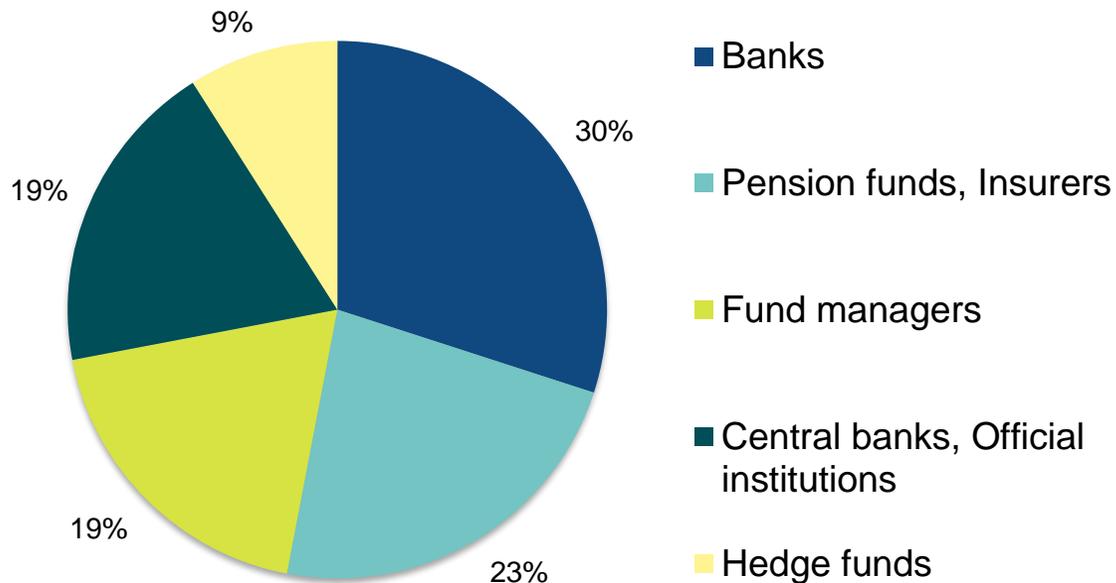
Distribution of the bond by region



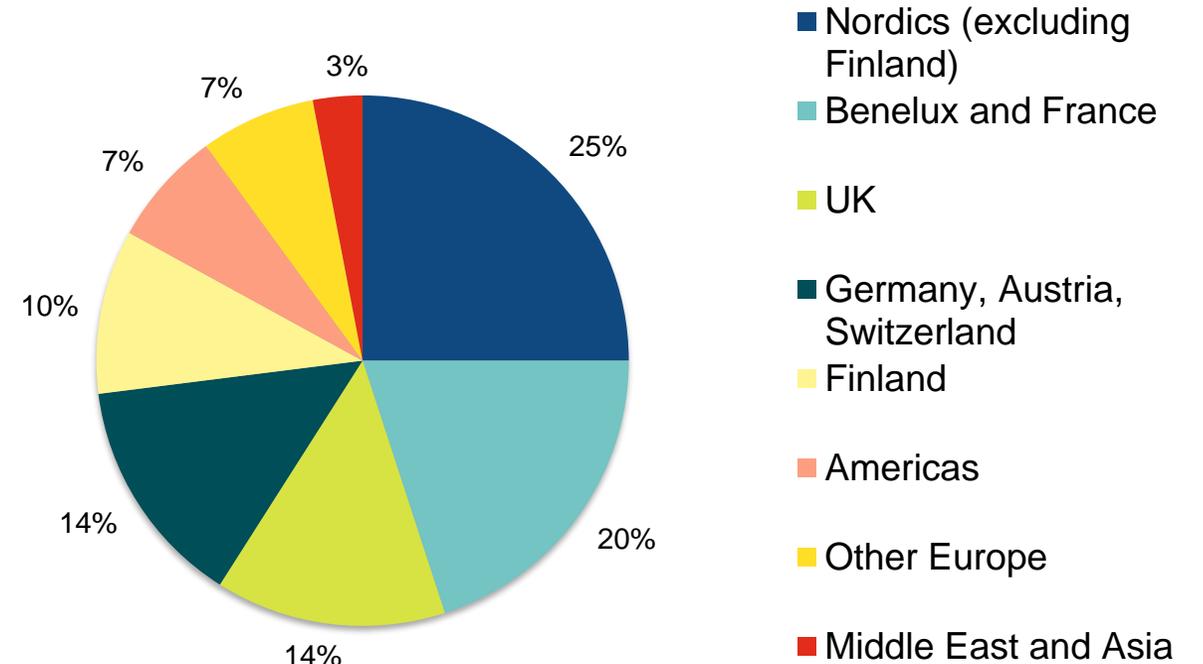
Investor base for RFGB 0.125% EUR 3bn due September 2031

- Launched in May 2021
- Allocated to over 110 investors

Distribution of the bond by investor type



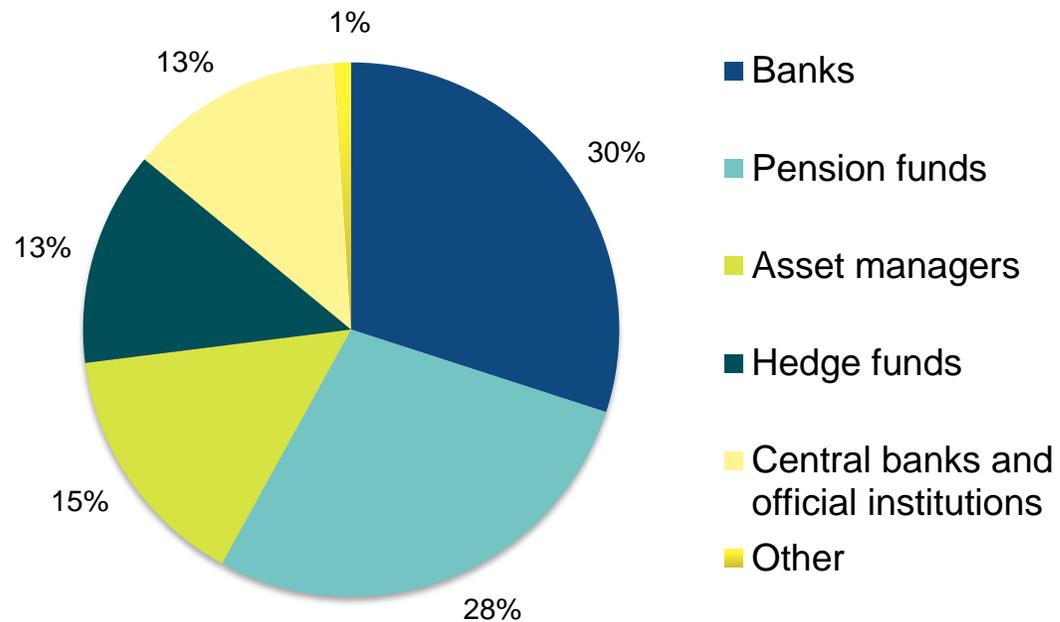
Distribution of the bond by region



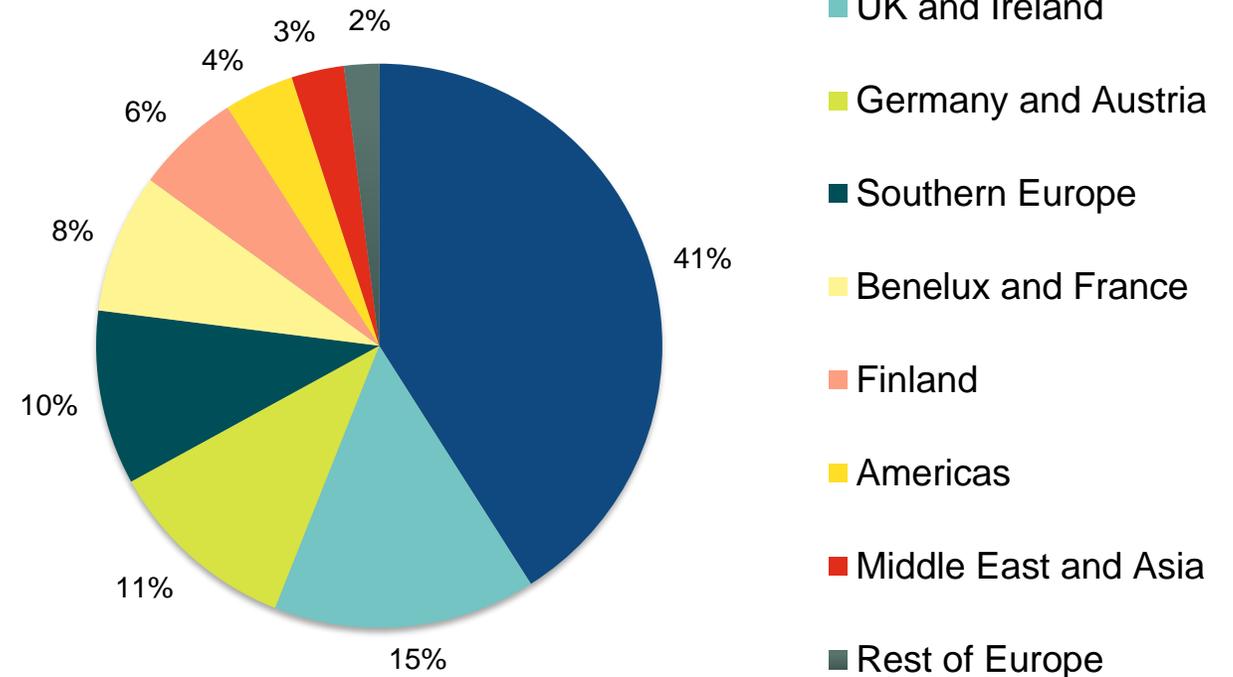
Investor base for RFGB 0.0% EUR 3bn due September 2026

- Launched in August 2021
- Allocated to circa 90 investors

Distribution of the bond by investor type

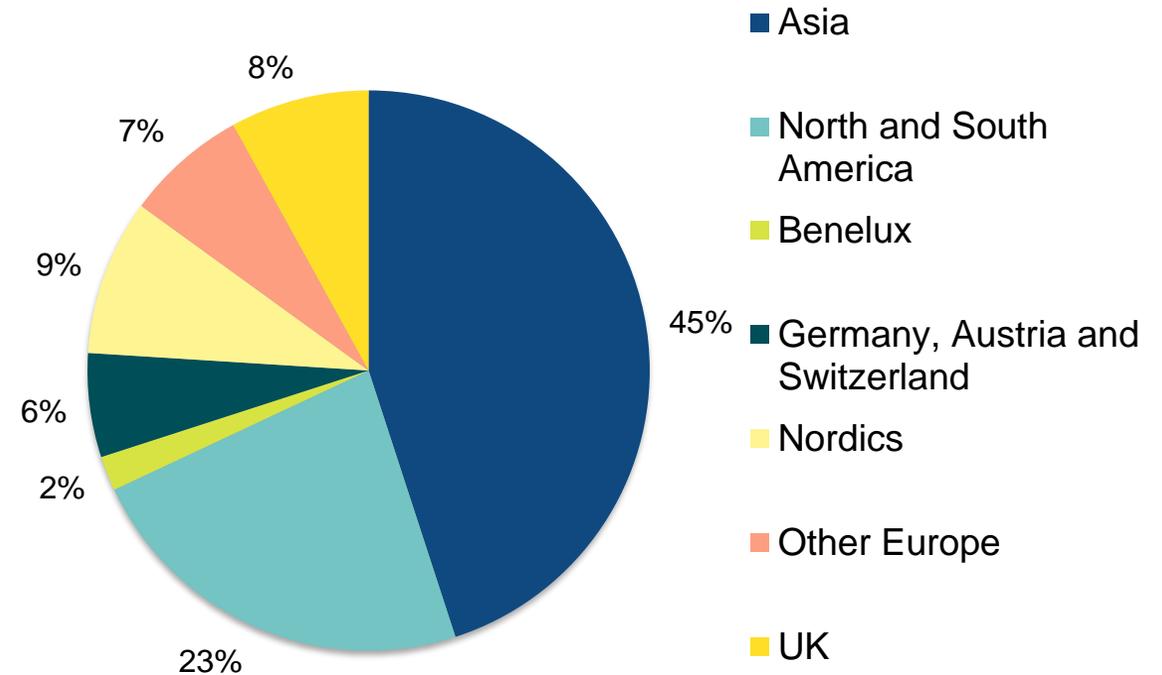
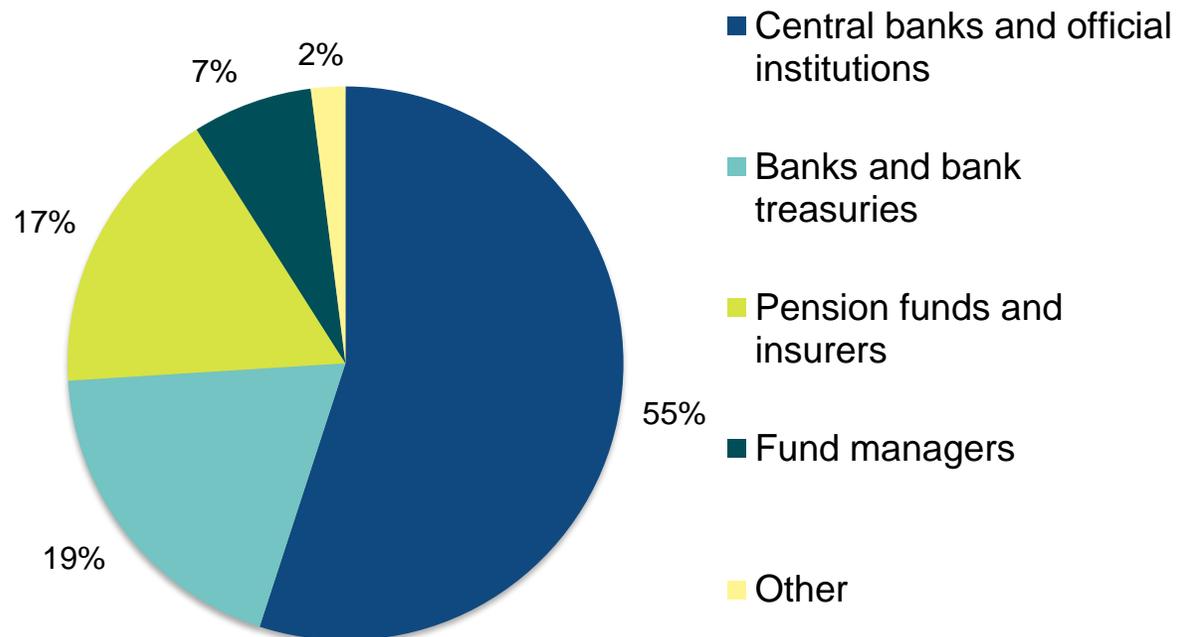


Distribution of the bond by region



Investor base for FINL 0.875% USD 1.5 bn due 2030

- Launched in May 2020
- Allocated to 87 investors



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