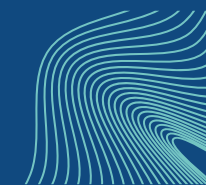




State Treasury  
Republic of Finland

# 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.

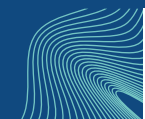
For long-term debt, they are

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

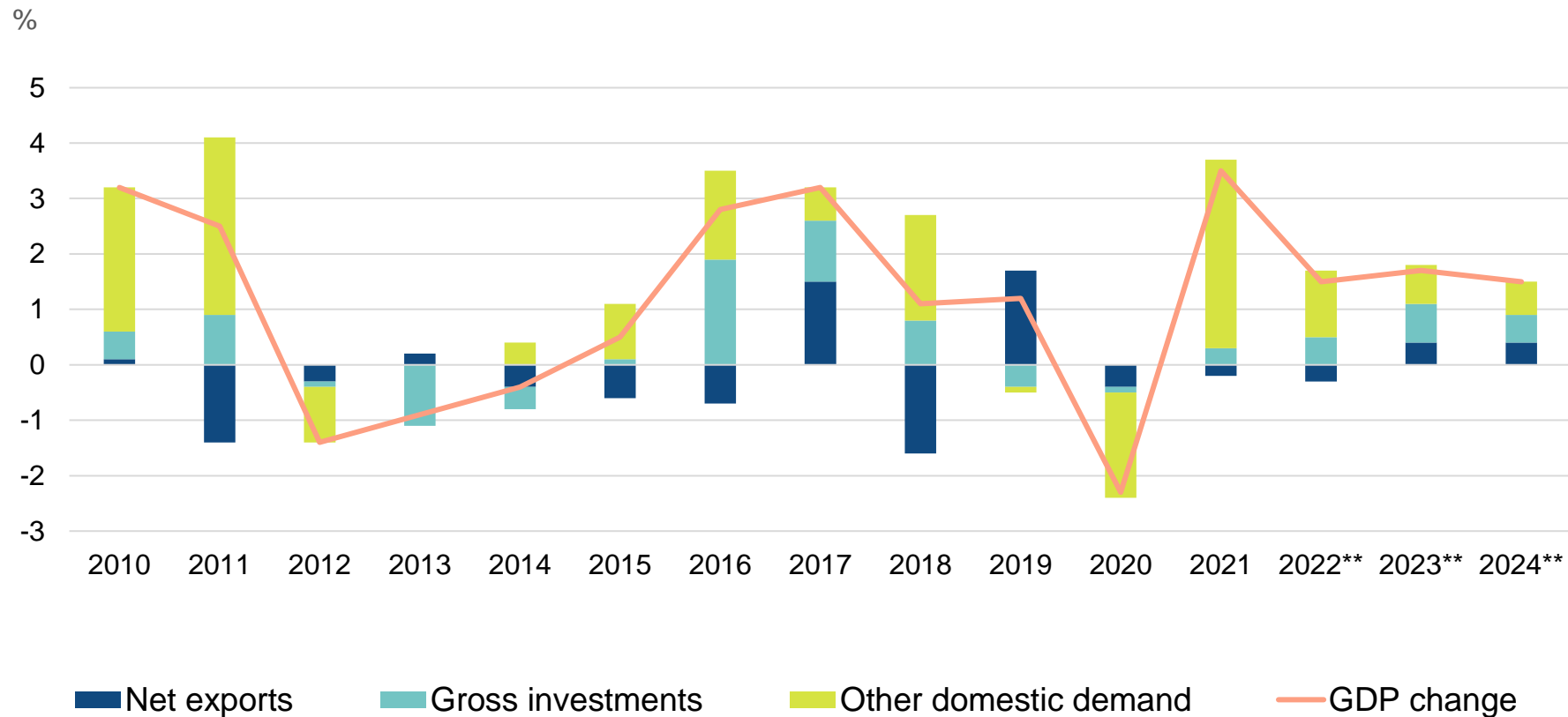
# Output growth will not slow below potential output in Finland this year

- 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

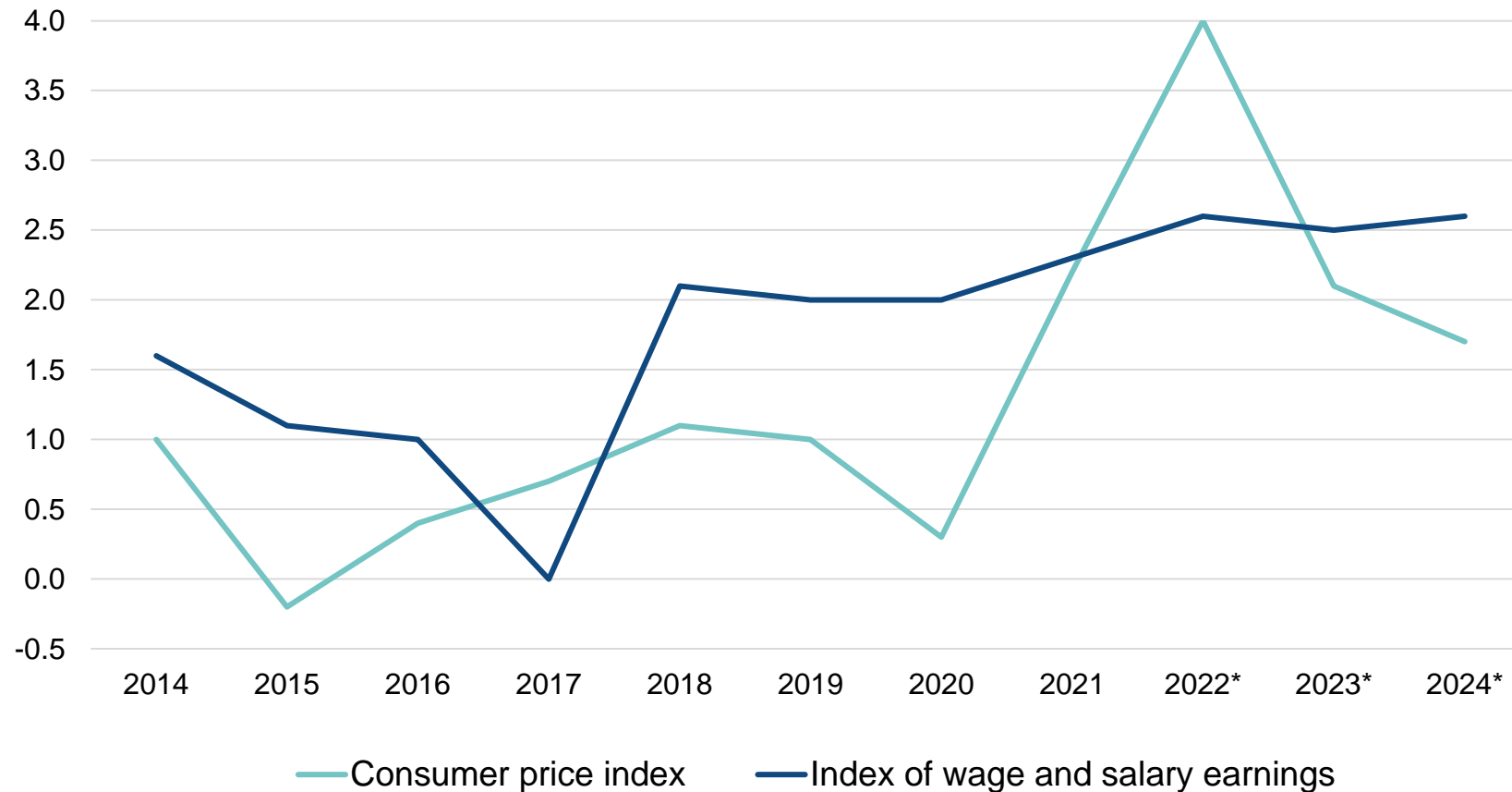
Source: Ministry of Finance, Spring 2022

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

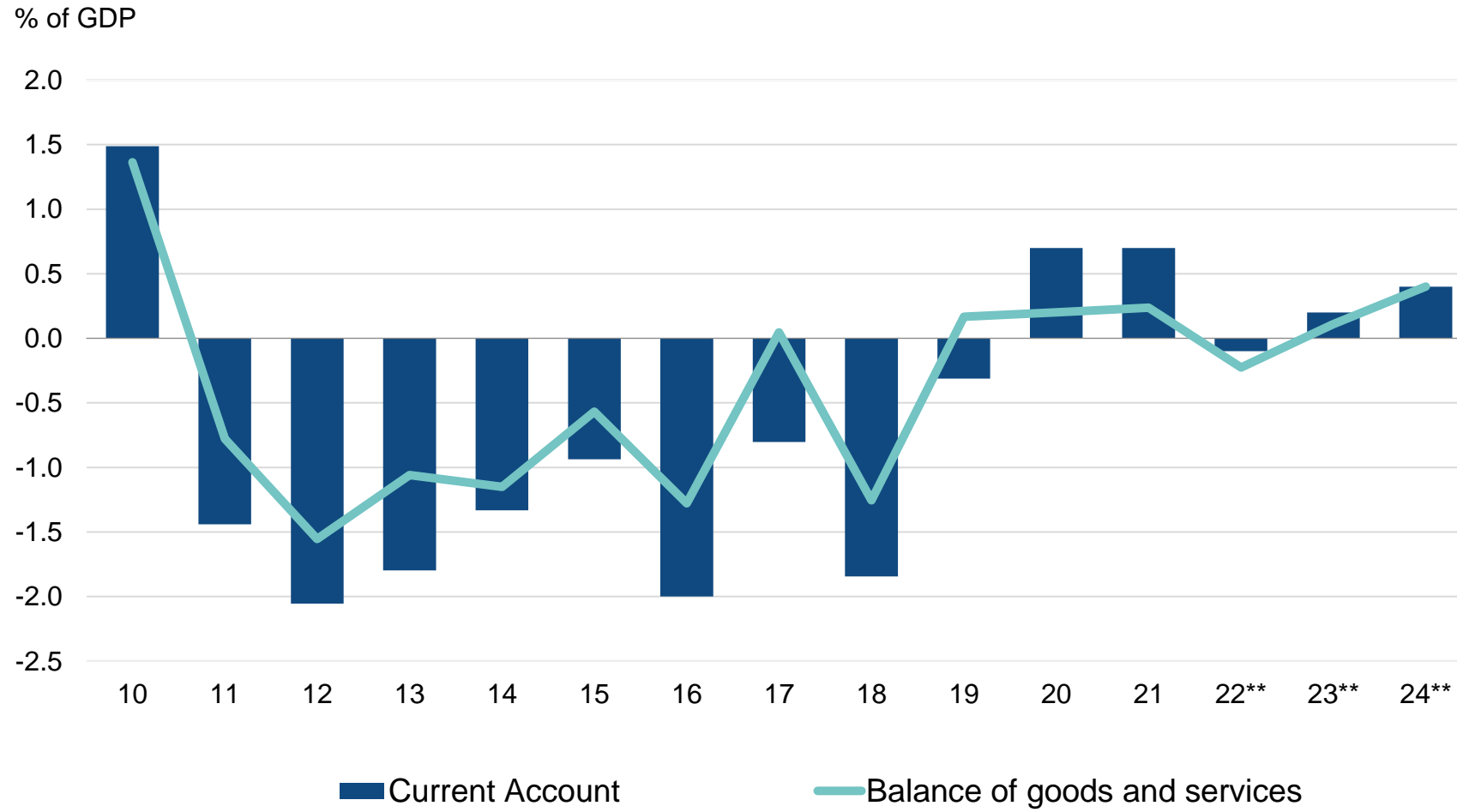


# Energy prices constituting the largest item accelerating inflation

change from previous year, %



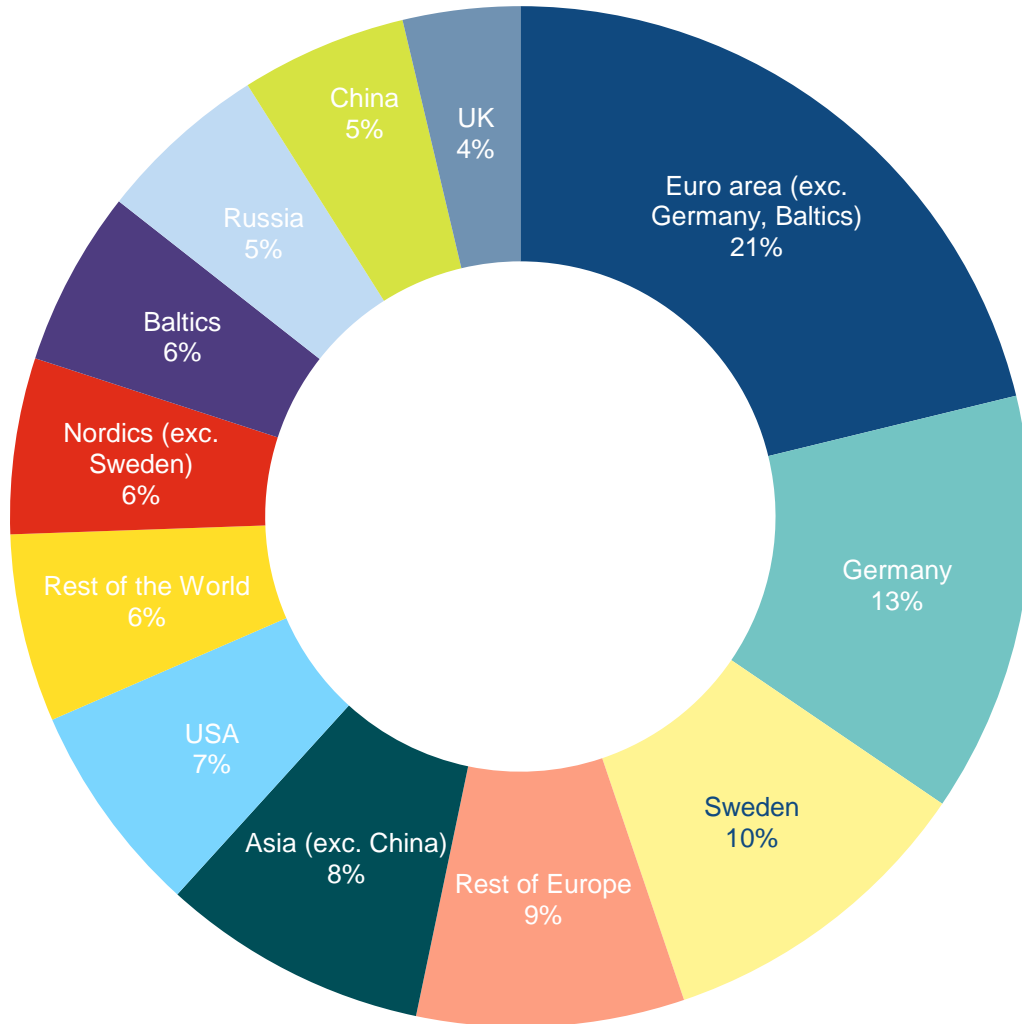
# Current account recovering in 2023-2024



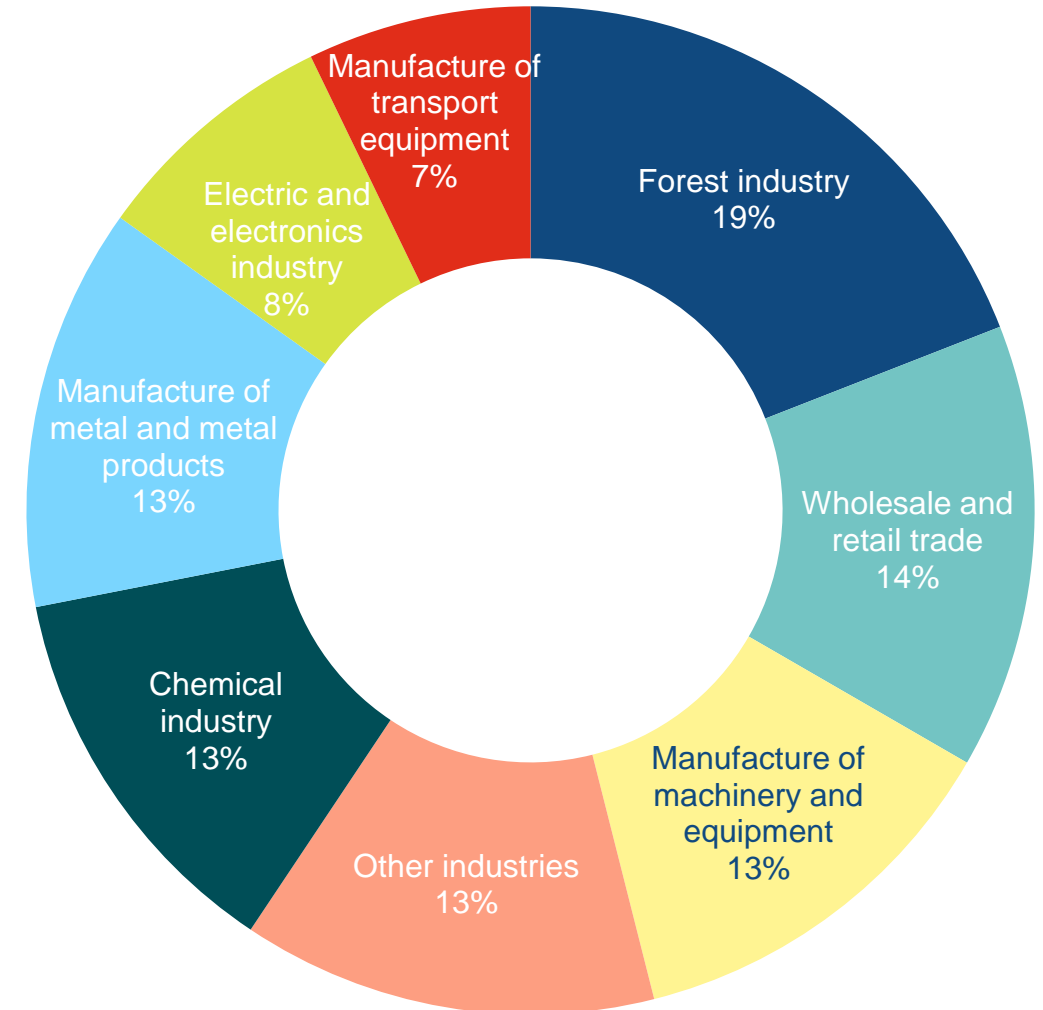


# Exports of goods

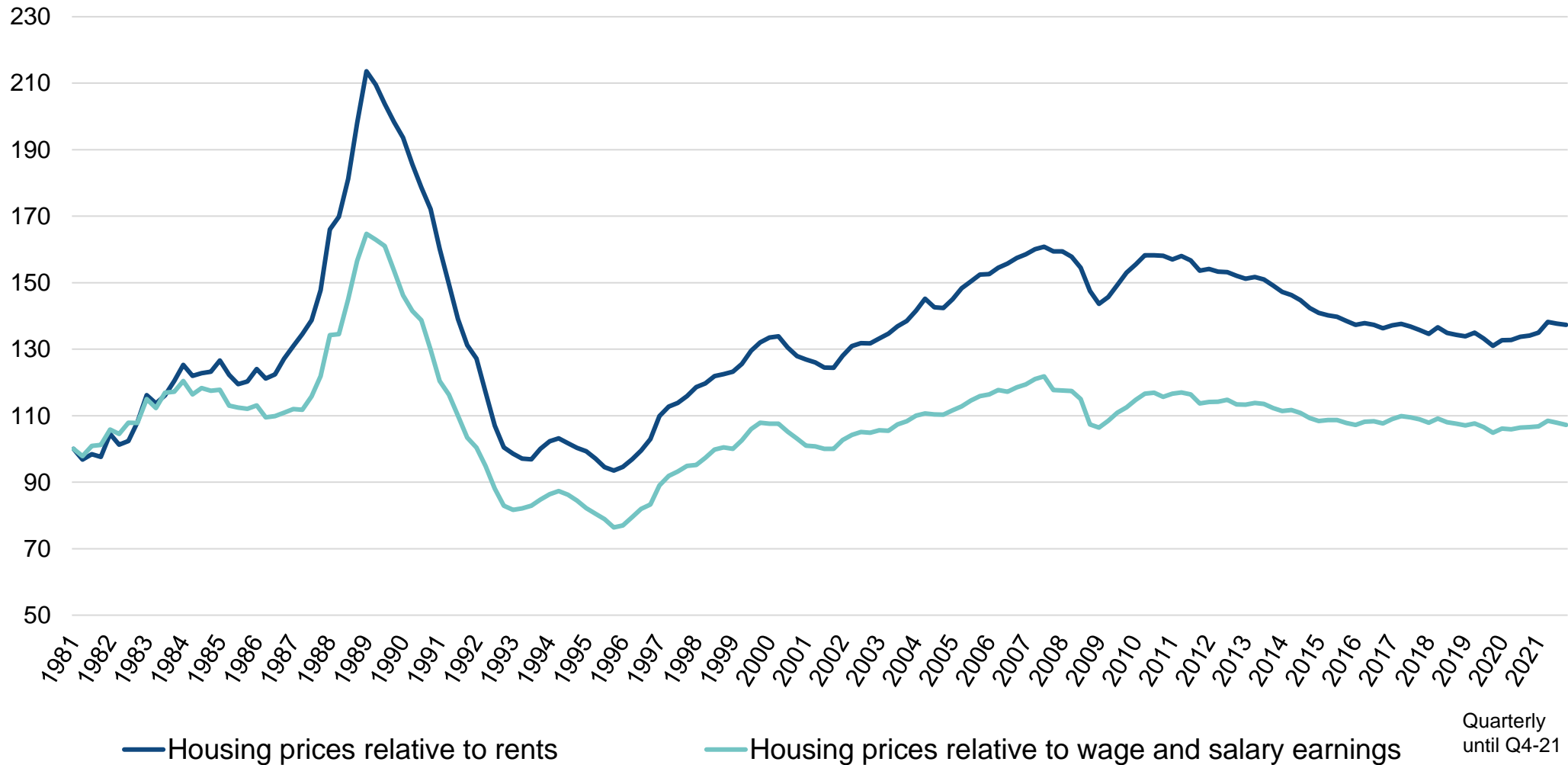
## Exports by countries of destination in 2021



## Exports by industries 2021

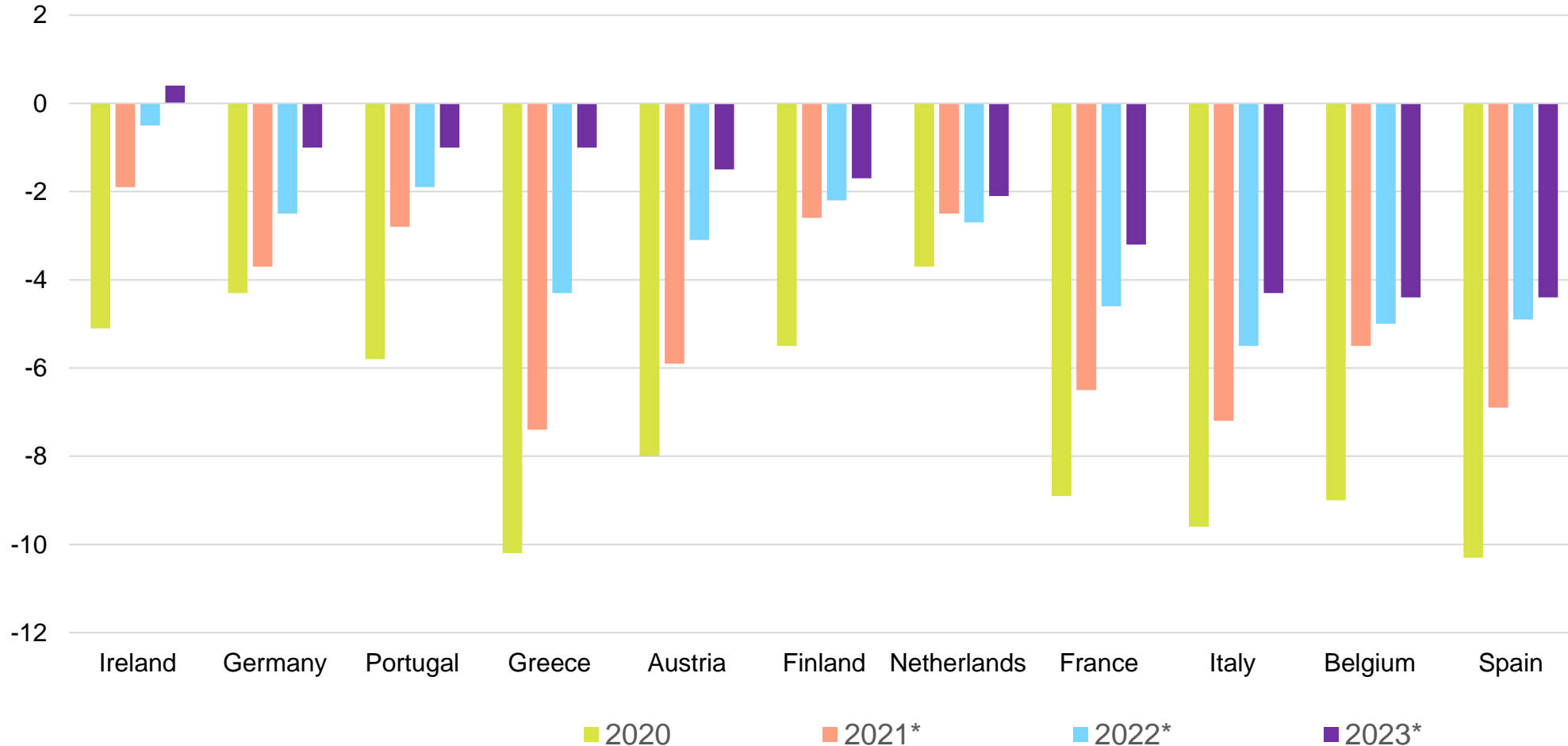


# Relative housing prices in Finland



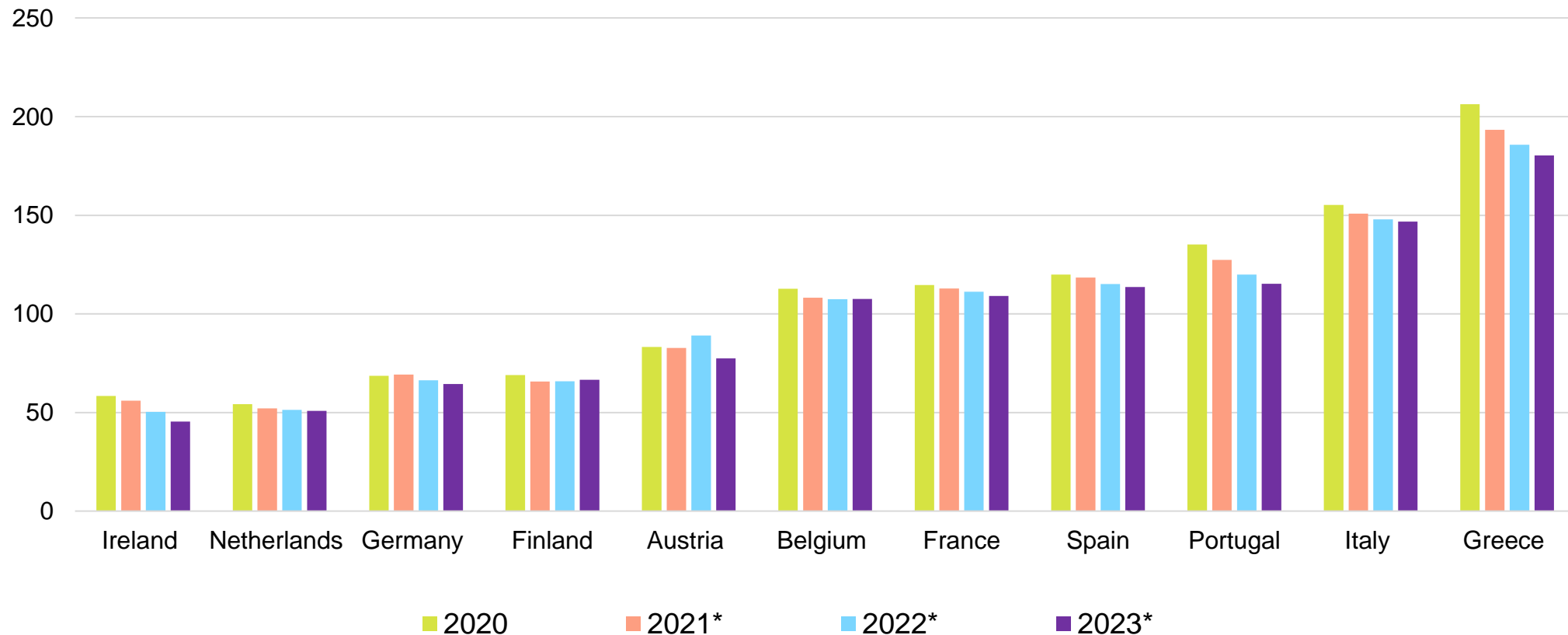
# EMU general government financial balance

in ratio to GDP, %

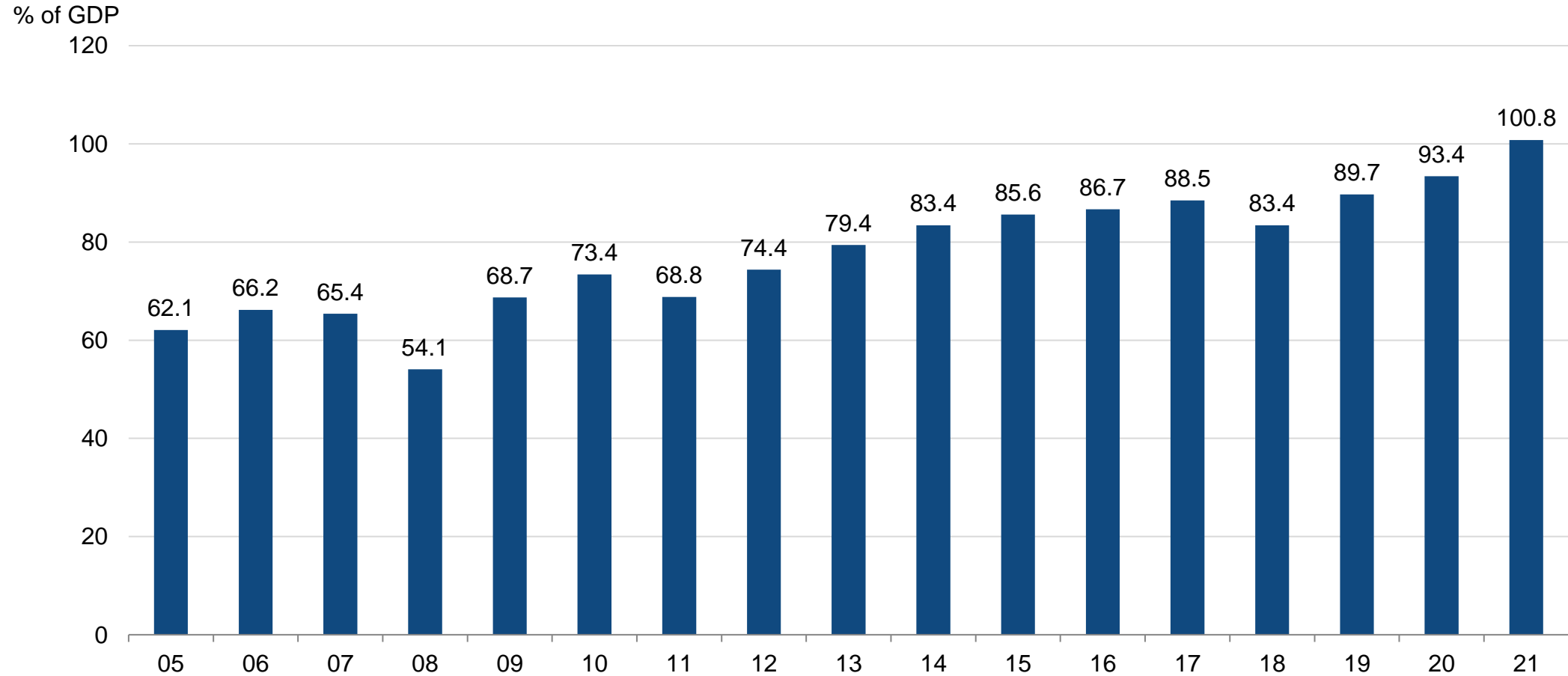


# The public debt-to-GDP ratio in Finland is one of the lowest in the euro area

EMU general government gross debt, % of GDP

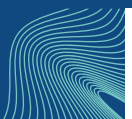


# Earnings-related pension assets including public sector pension assets

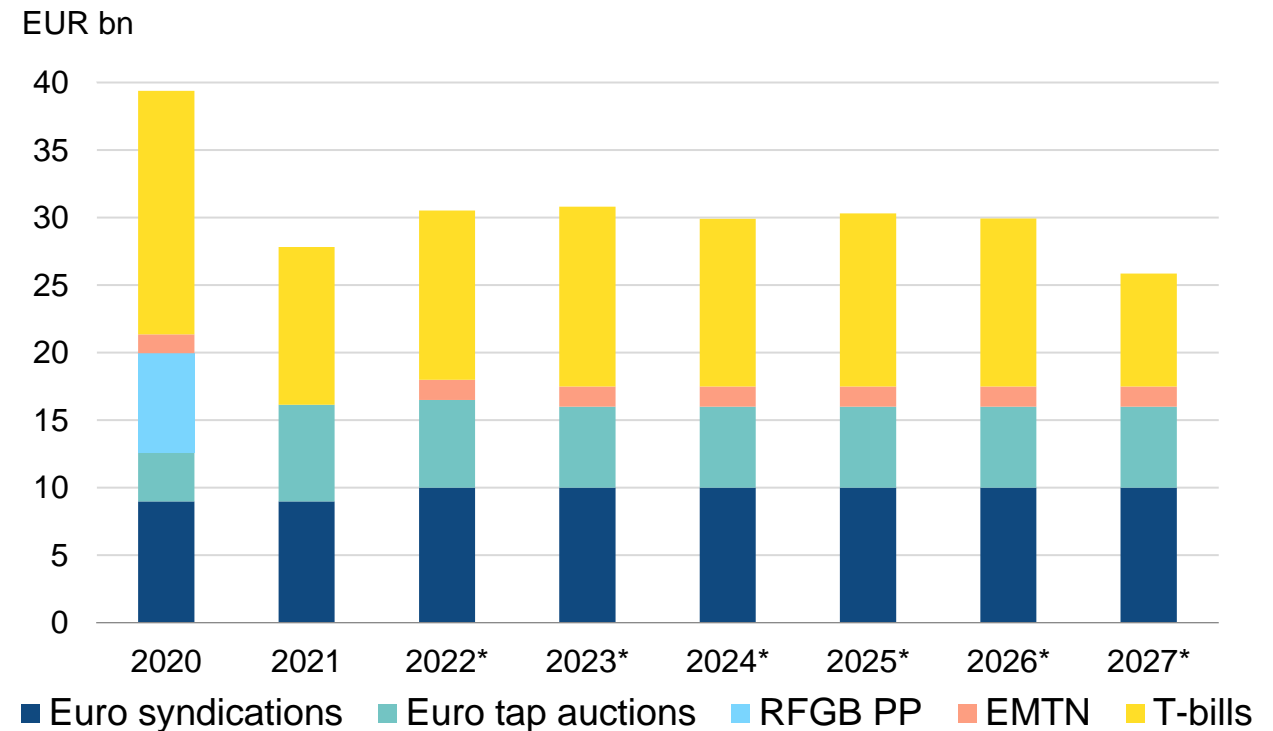
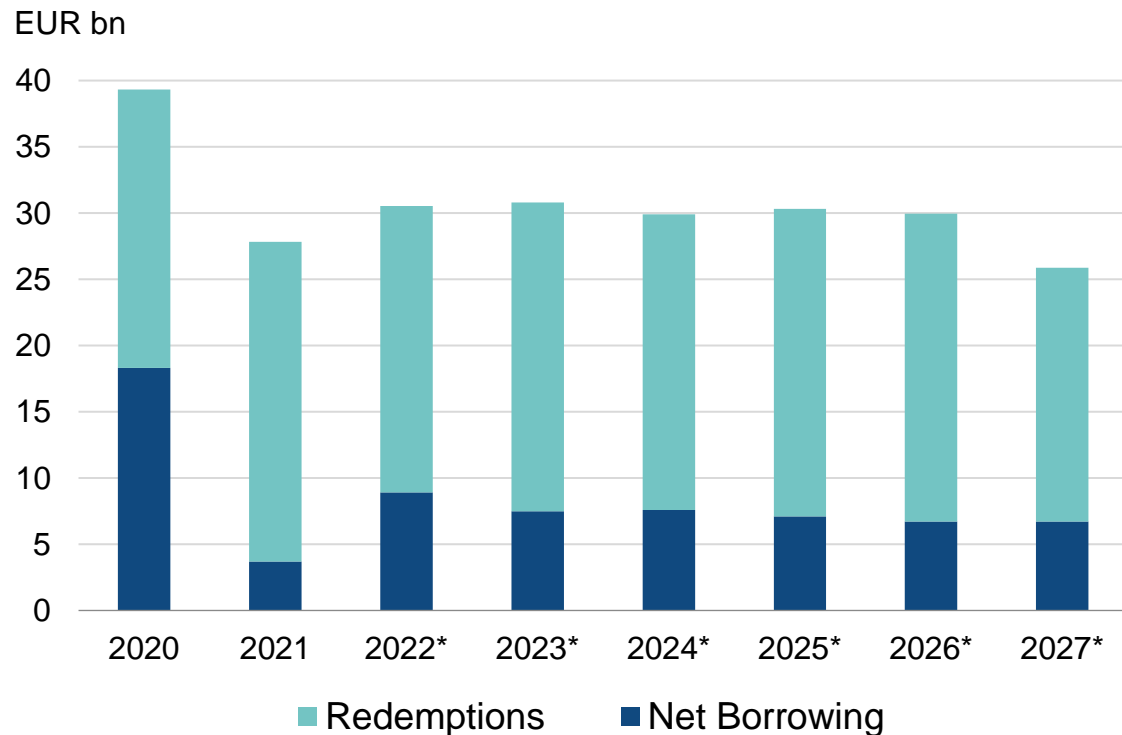




# 2 Funding



# Central government gross borrowing estimate and projected funding instrument allocation

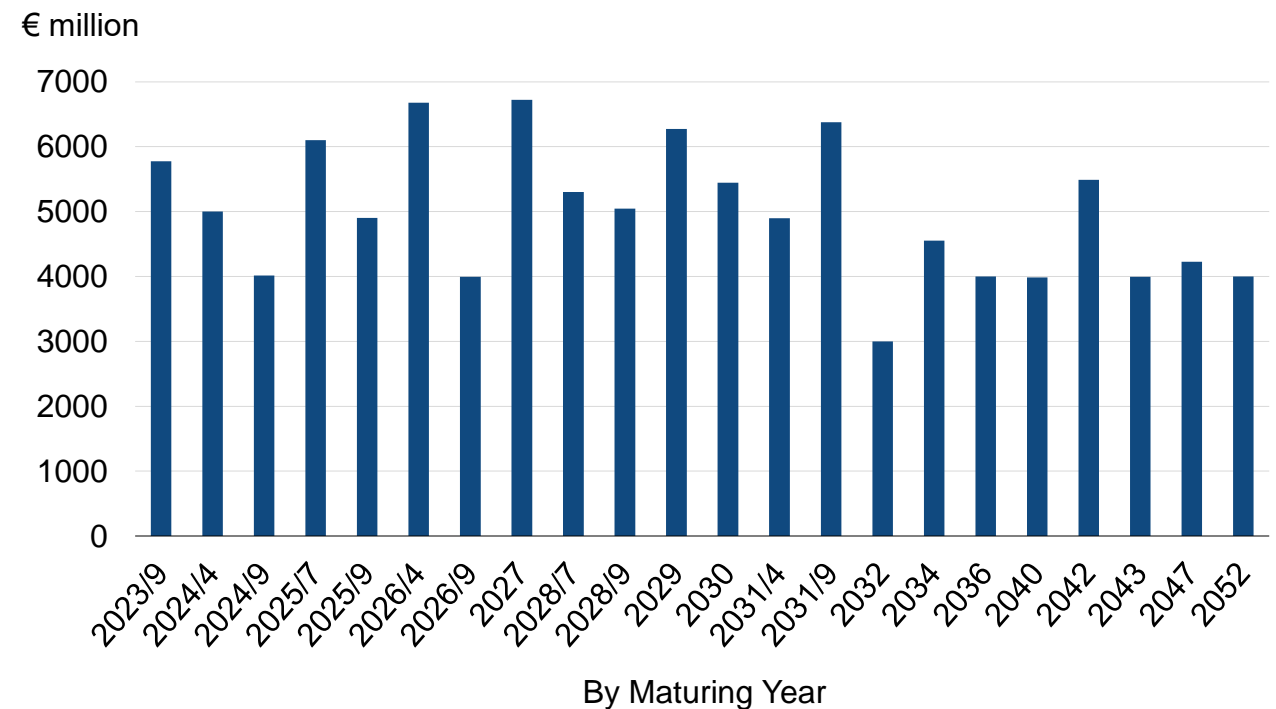


# Funding strategy

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

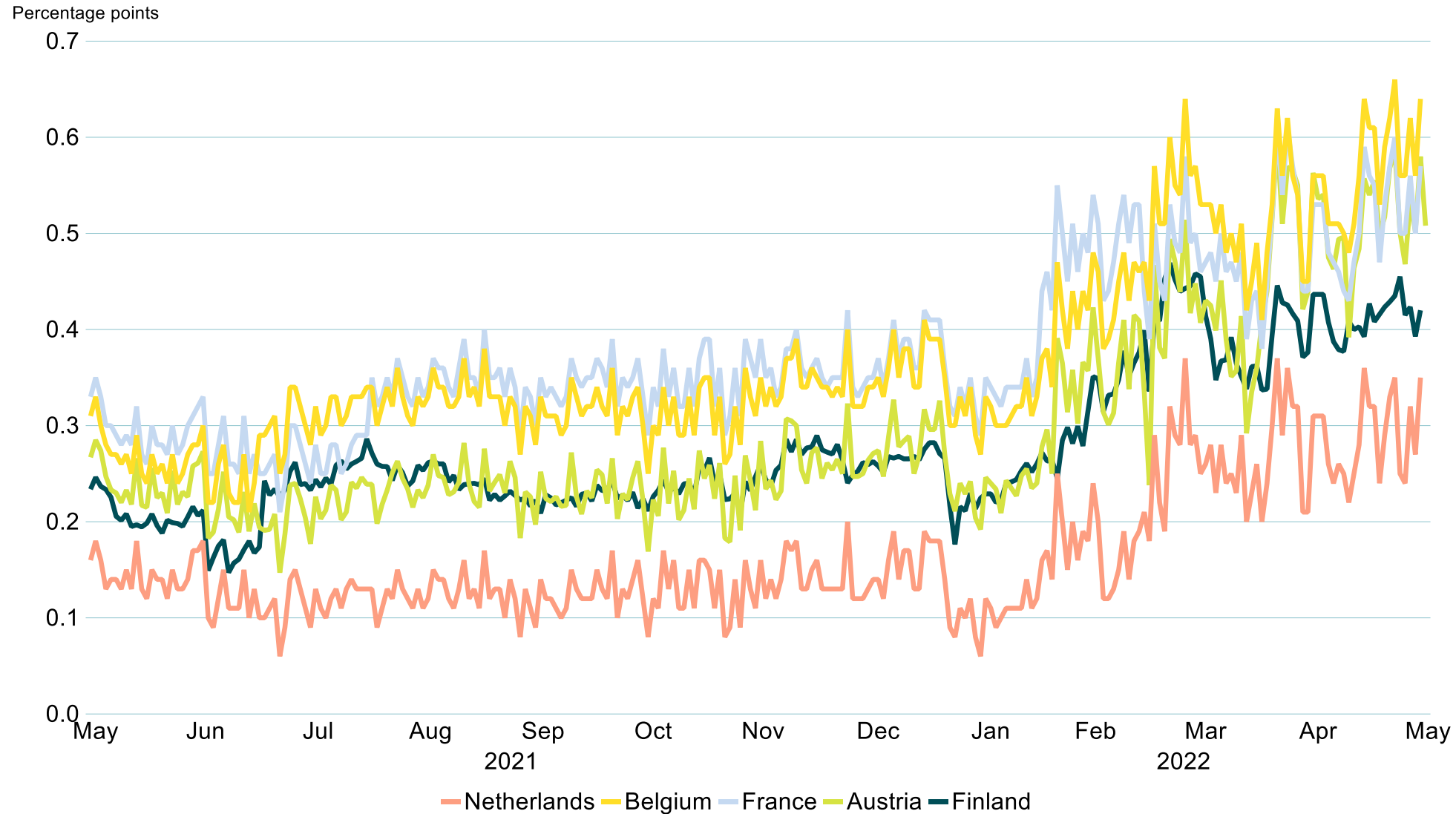
- Euro benchmark bond curve to 30 years
- Three syndicated euro benchmark bonds per year complemented by tap auctions
- Liquidity in focus – Primary Dealers and 3 inter-dealer platforms (MTS, BrokerTec, BGC E-Speed)
- EMTN issuance complements euro benchmark bonds

## 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

**#5<sup>th</sup> least vulnerable country in the world to the negative impact of climate change**

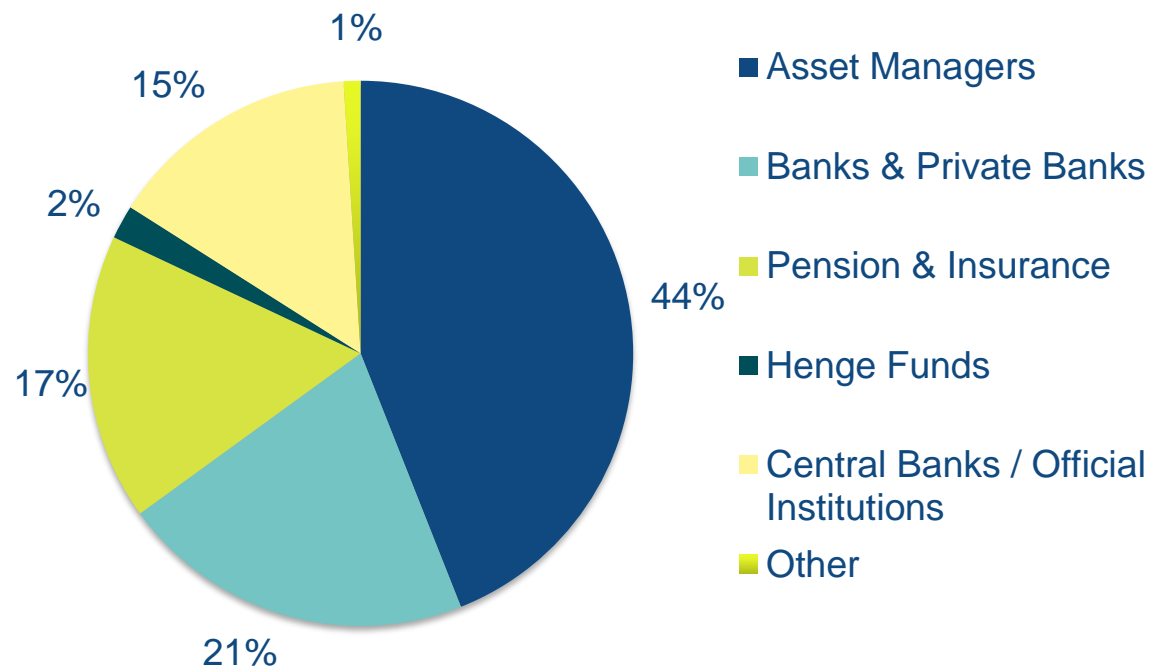
**#5<sup>th</sup> most ready country to adopt to climate change.**

*The ND-Gain Matrix (2020)*

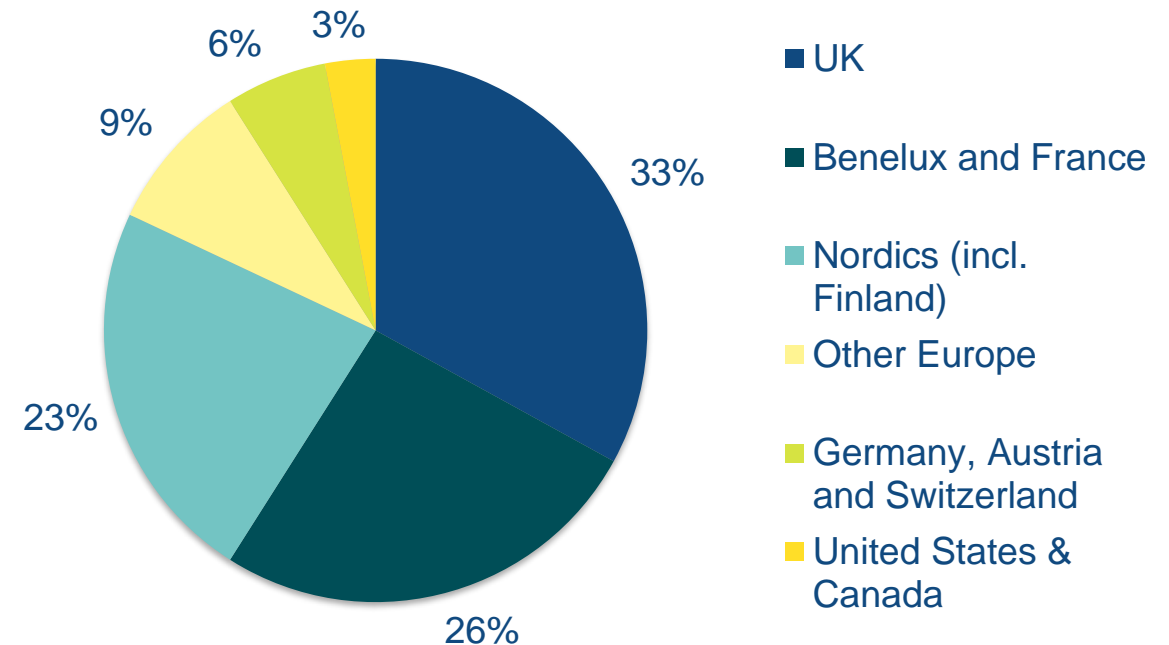
# Investor base for RFGB 1.5% EUR 3bn due September 2032

- Launched in May 2022
- Allocated to over 80 investors

## Distribution of the bond by investor type



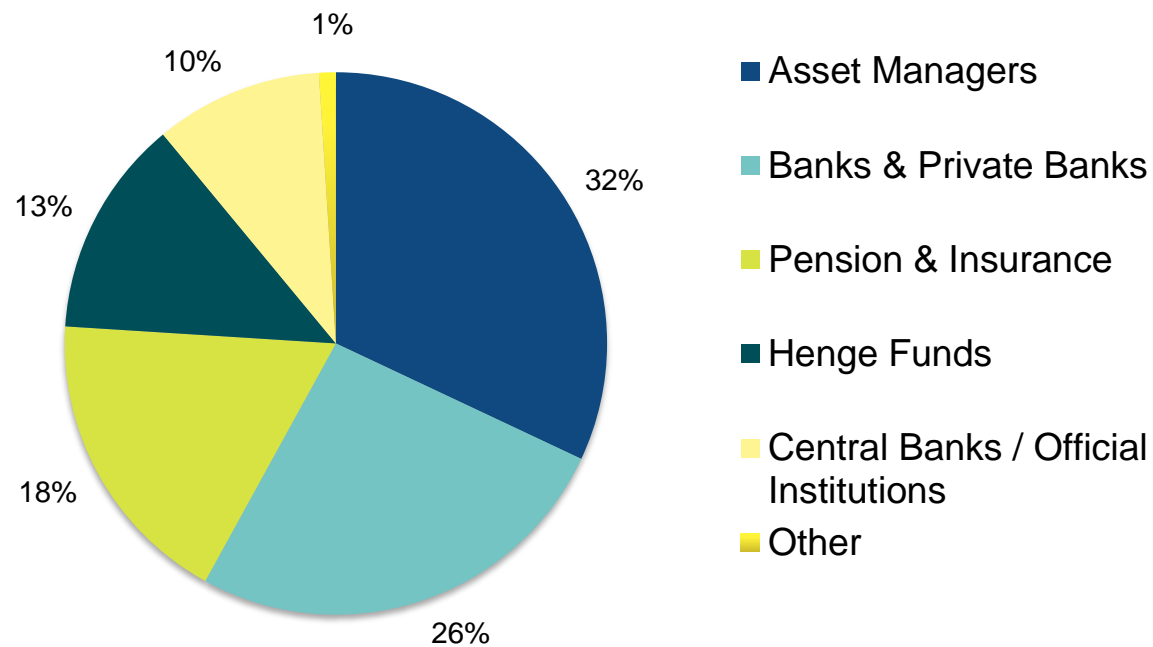
## Distribution of the bond by region



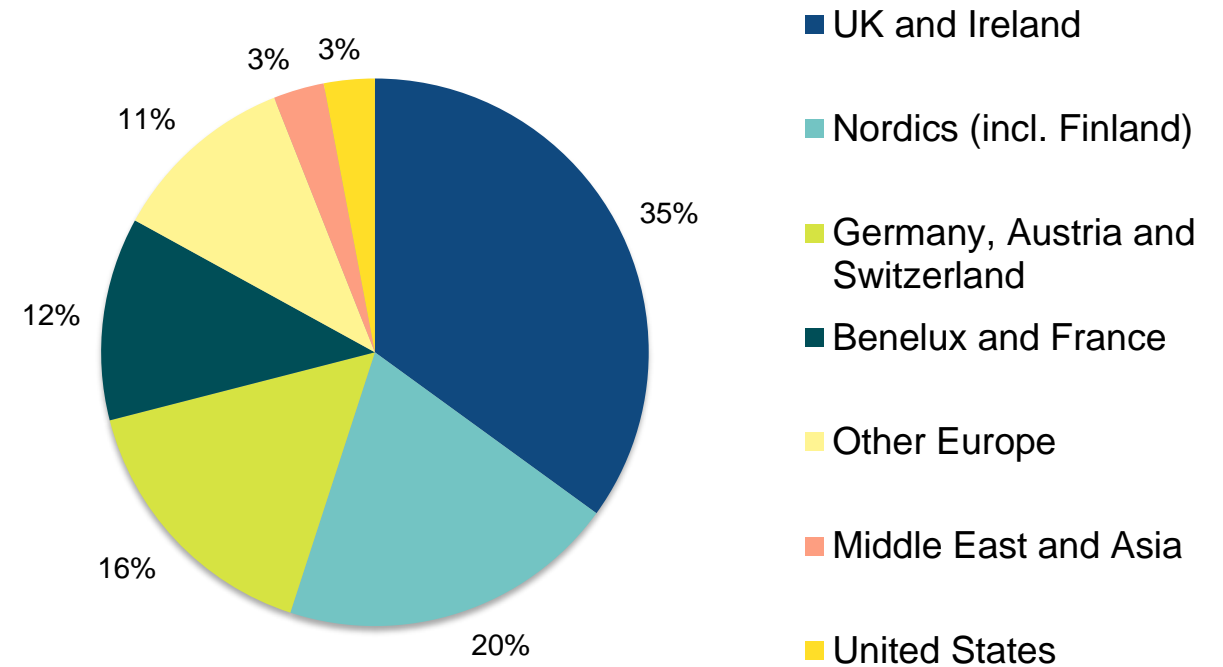
# Investor base for RFGB 0.500% EUR 3bn due April 2043

- Launched in January 2022
- Allocated to over 100 investors

## Distribution of the bond by investor type



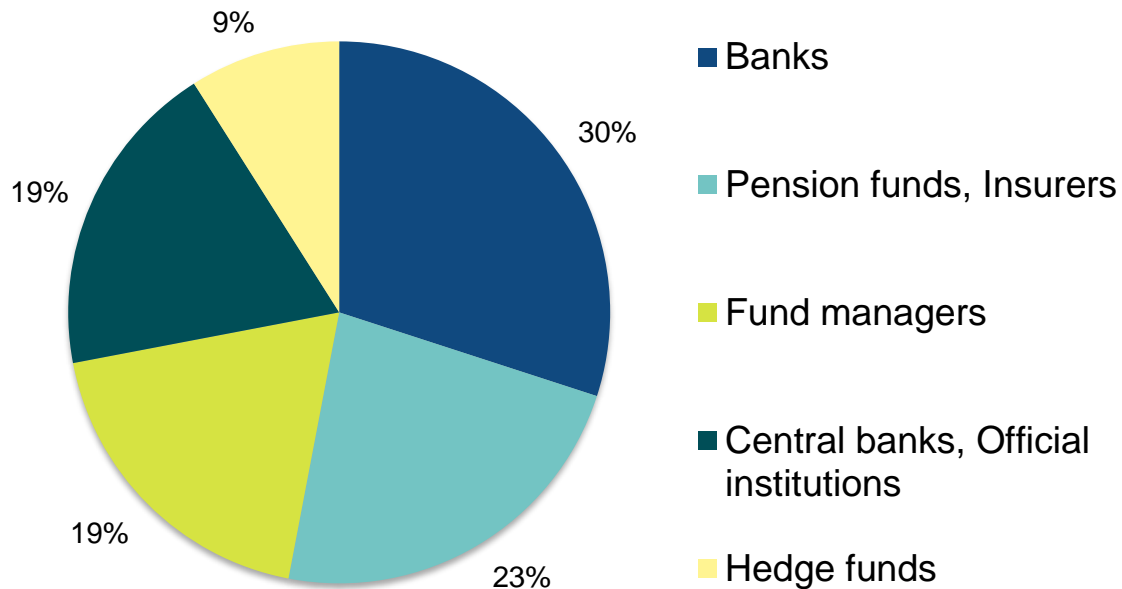
## Distribution of the bond by region



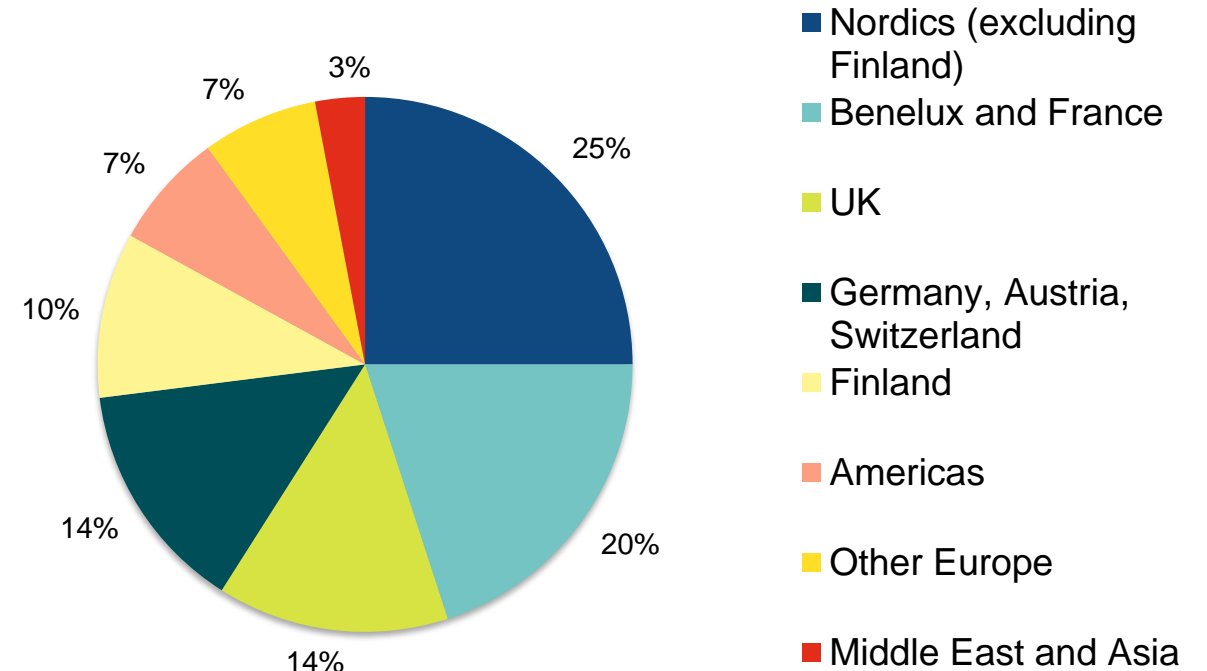
# Investor base for RFGB 0.125% EUR 3bn due September 2031

- Launched in May 2021
- Allocated to over 110 investors

## Distribution of the bond by investor type



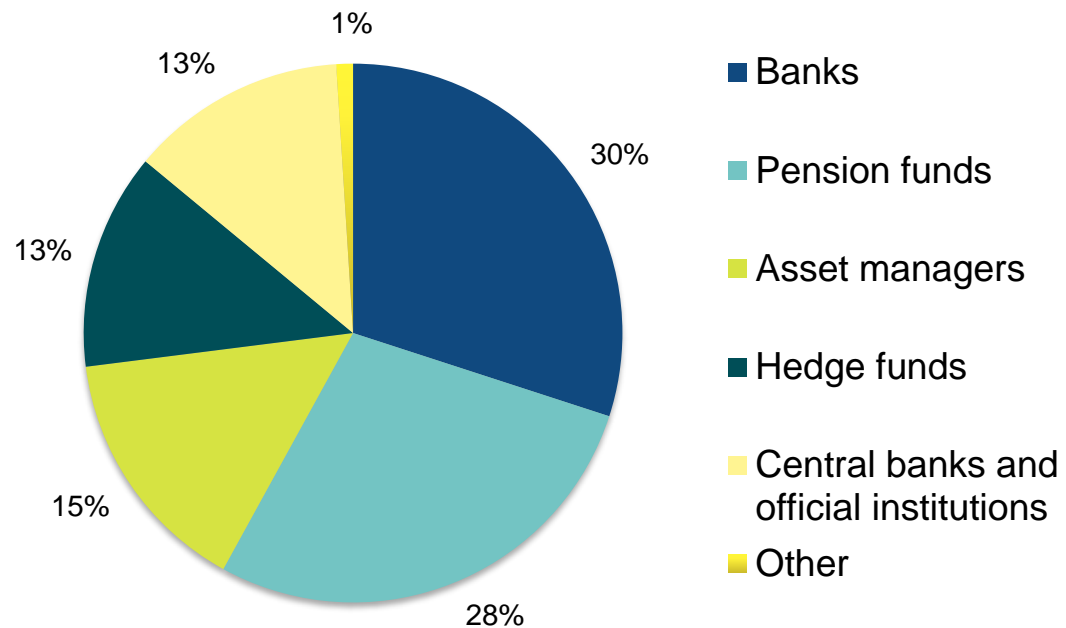
## Distribution of the bond by region



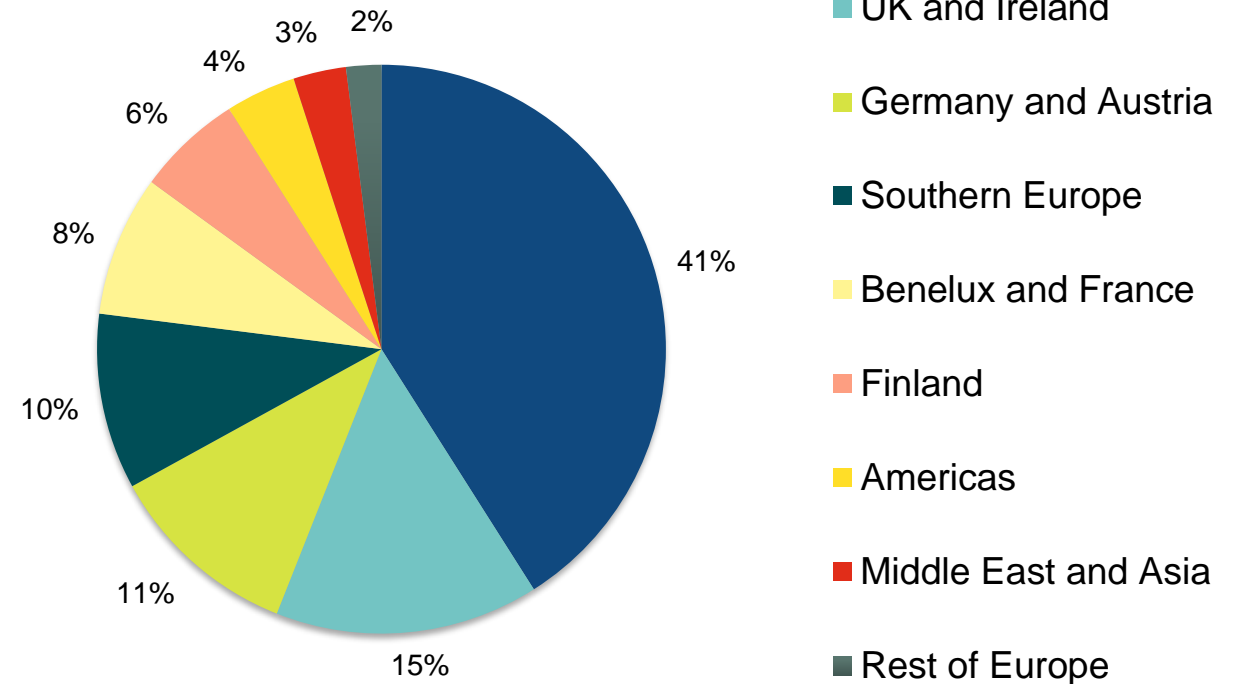
# Investor base for RFGB 0.0% EUR 3bn due September 2026

- Launched in August 2021
- Allocated to circa 90 investors

## Distribution of the bond by investor type

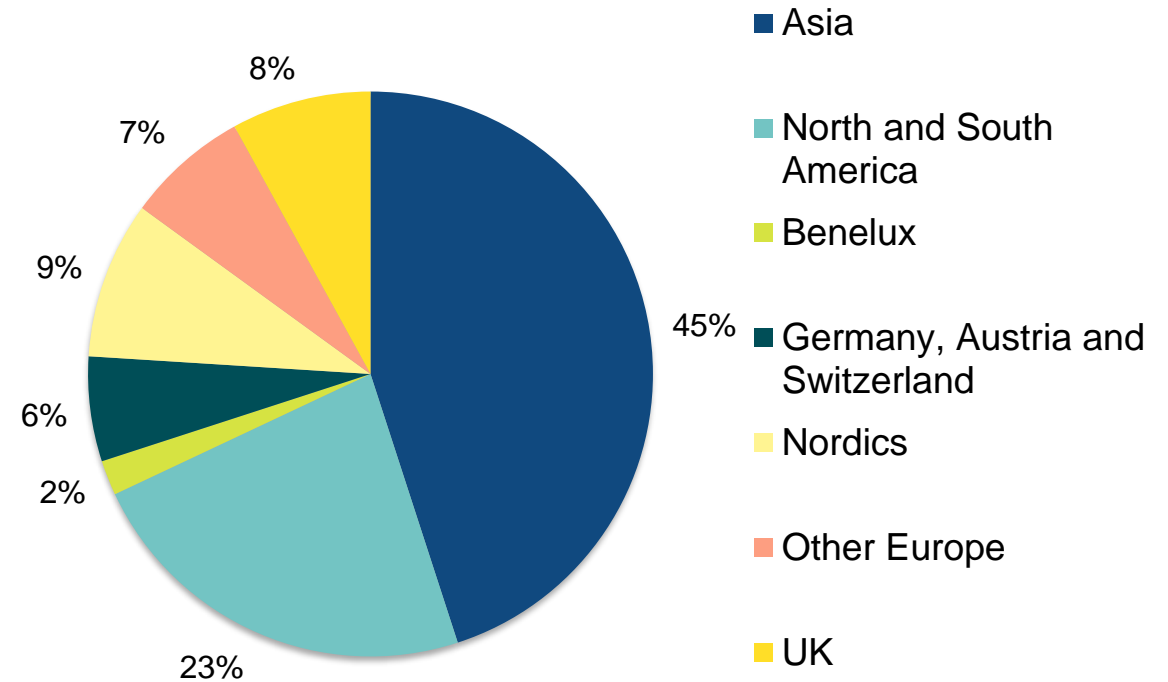
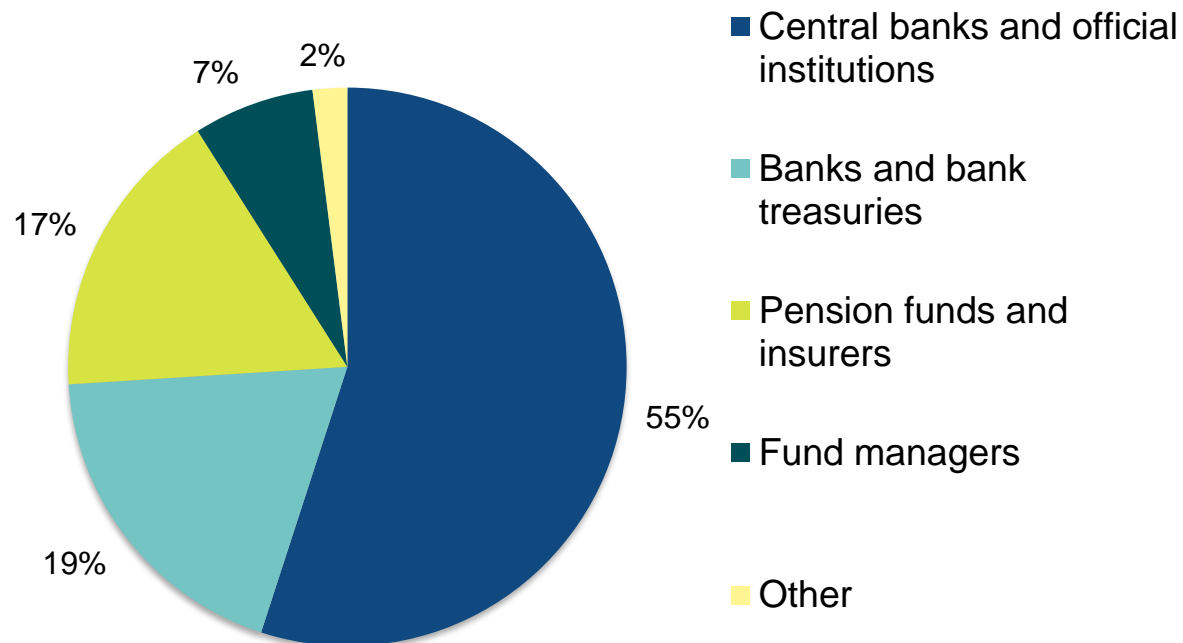


## Distribution of the bond by region



# Investor base for FINL 0.875% USD 1.5 bn due 2030

- Launched in May 2020
- Allocated to 87 investors





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