



Update on

Finnish central government borrowing

January 2020

Valtiokonttori
Statskontoret
State Treasury

Credit ratings

The government has solicited credit ratings from three credit rating agencies: S&P Global Ratings, Moody's Investors Service and Fitch Ratings. For long-term debt, they are

AA+, **Aa1** and **AA+**

(stable, stable, positive)





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Finnish economy



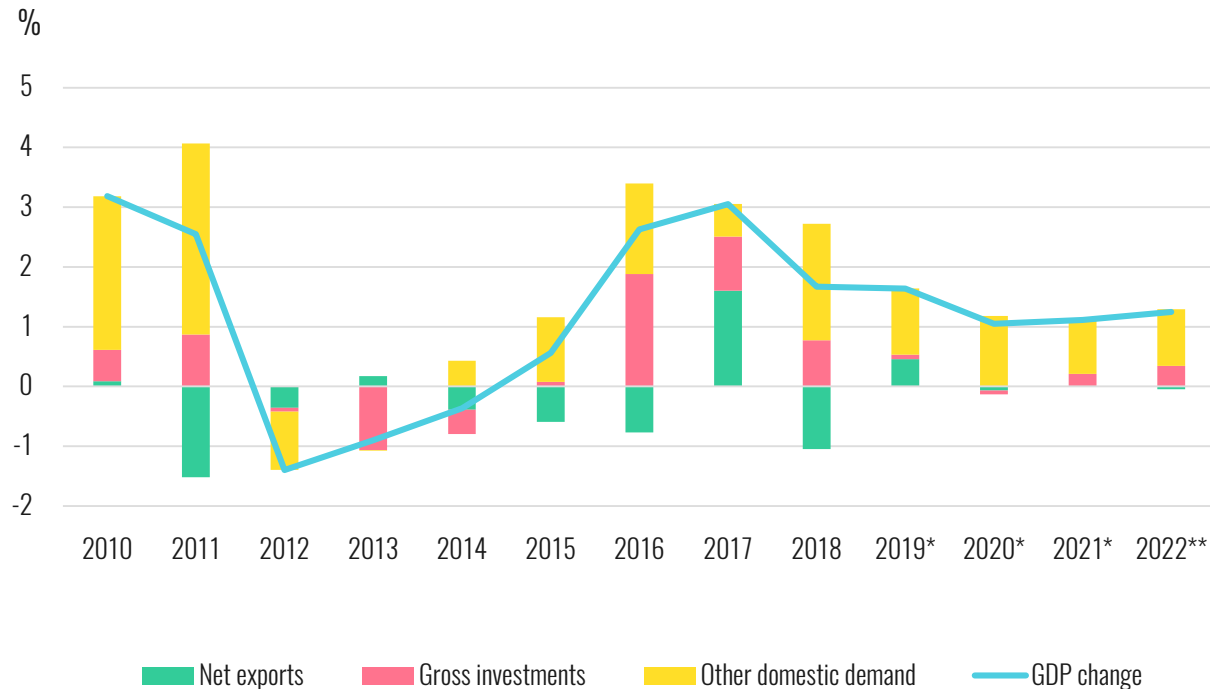
Risks to economic development somewhat alleviated

- Steady growth in private consumption, public consumption and investments of increasing importance to GDP growth
- Upturn in productive investment, supported by major projects and R&D investment
- Declining unemployment rate, employment rate growth slowing down.

	2019	2020	2021
GDP change %	1.6	1.0	1.1
Inflation, %	1.1	1.3	1.6
Current account, %/GDP	-1.2	-1.3	-1.4
Private investment change, %	0.2	-0.9	1.3
Exports change %	4.0	1.9	1.9
Unemployment rate, %	6.7	6.5	6.4
Public deficit, %/GDP	1.0	1.4	1.4
Public debt, %/GDP	58.5	58.8	59.7



Growth sustained by domestic demand

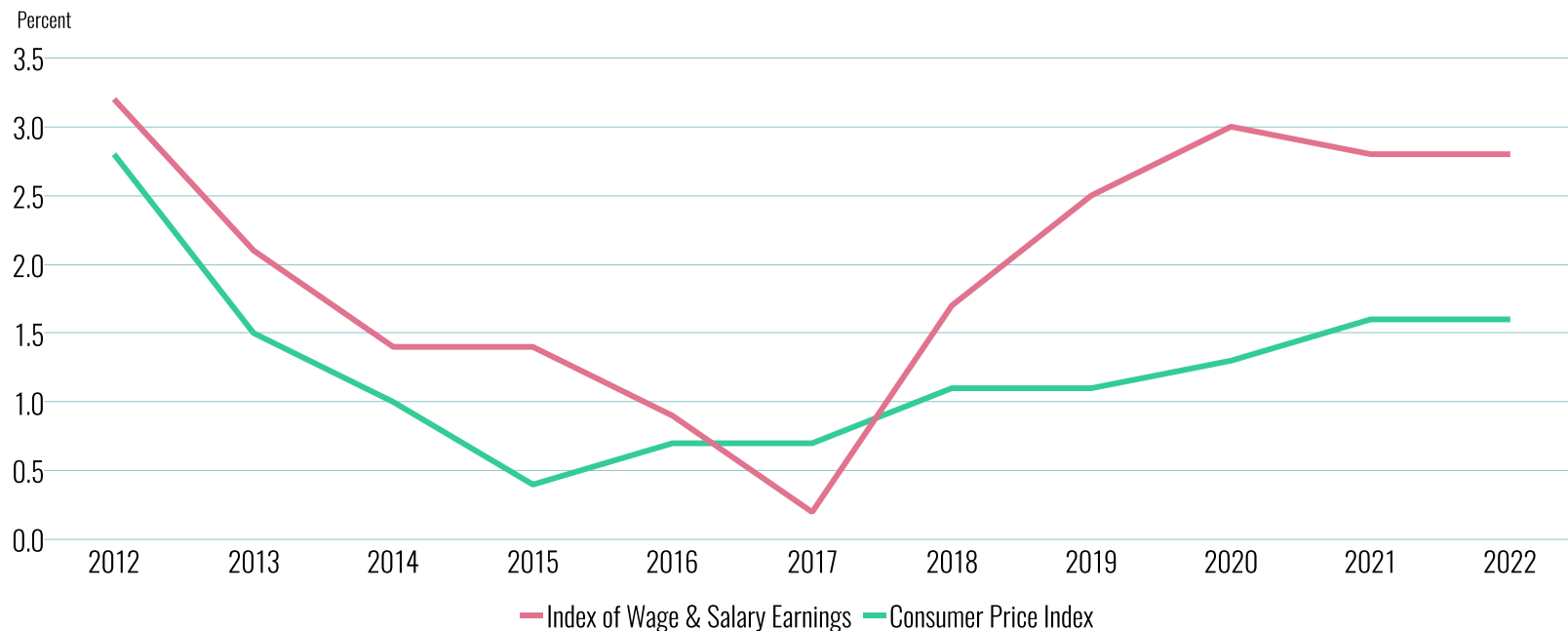


Source: Ministry of Finance, 12/2019



Inflationary pressures to grow only slowly

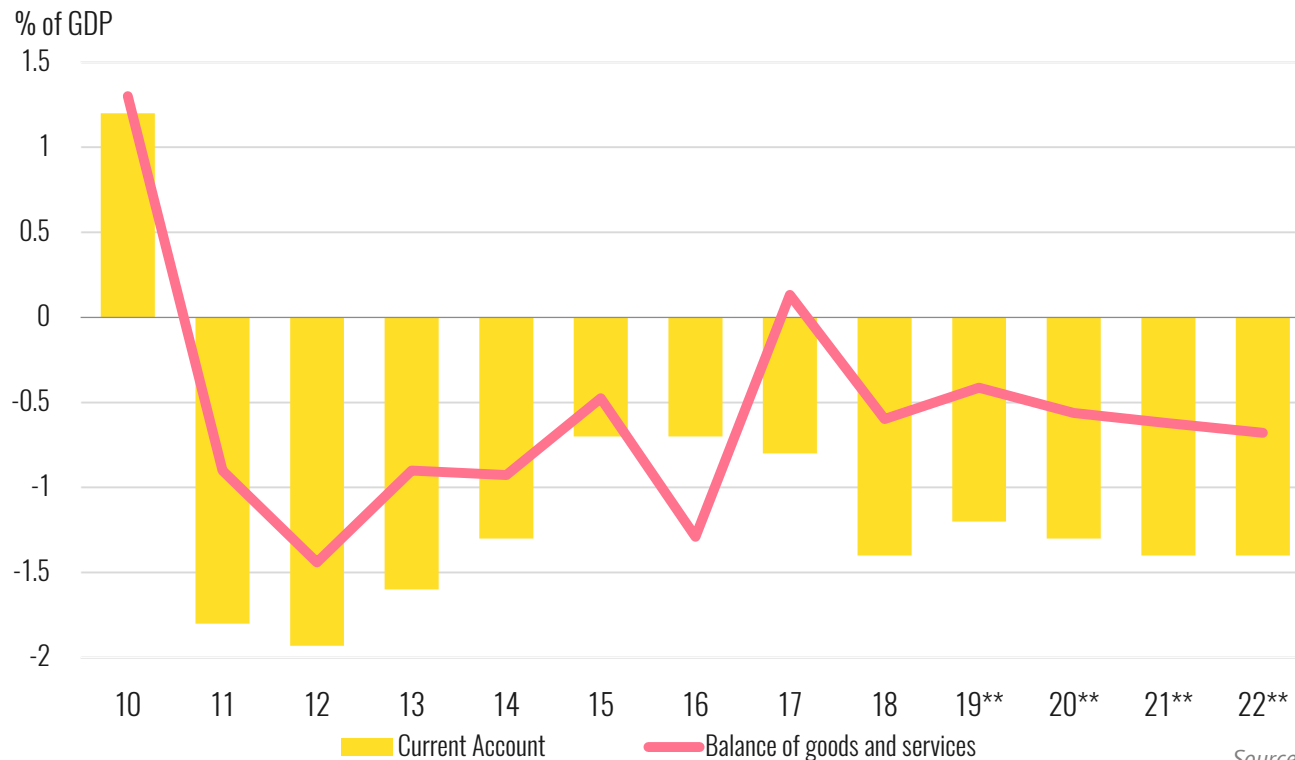
change from previous year, %



Source: Macrobond, Ministry of Finance



Value of both exports and imports to increase, current account deficit to persist

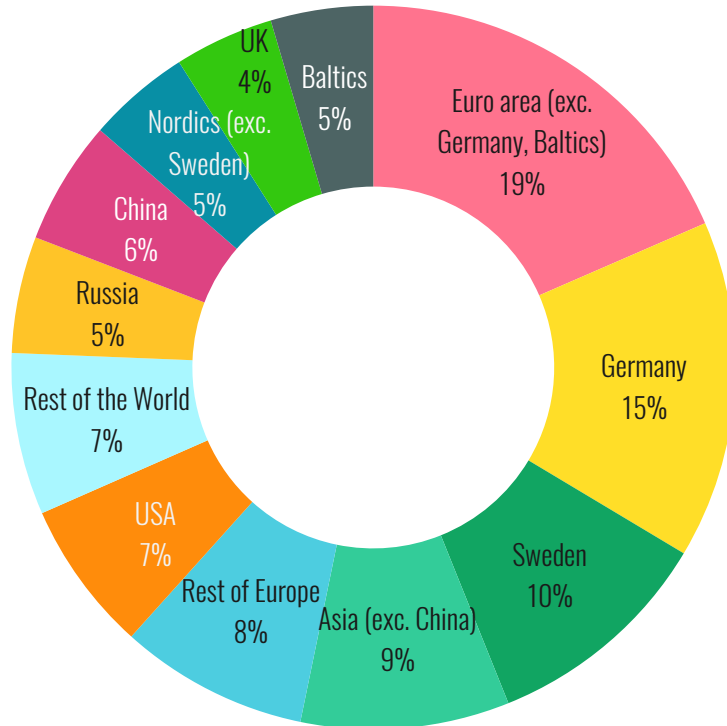


Source: Ministry of Finance 12/2019

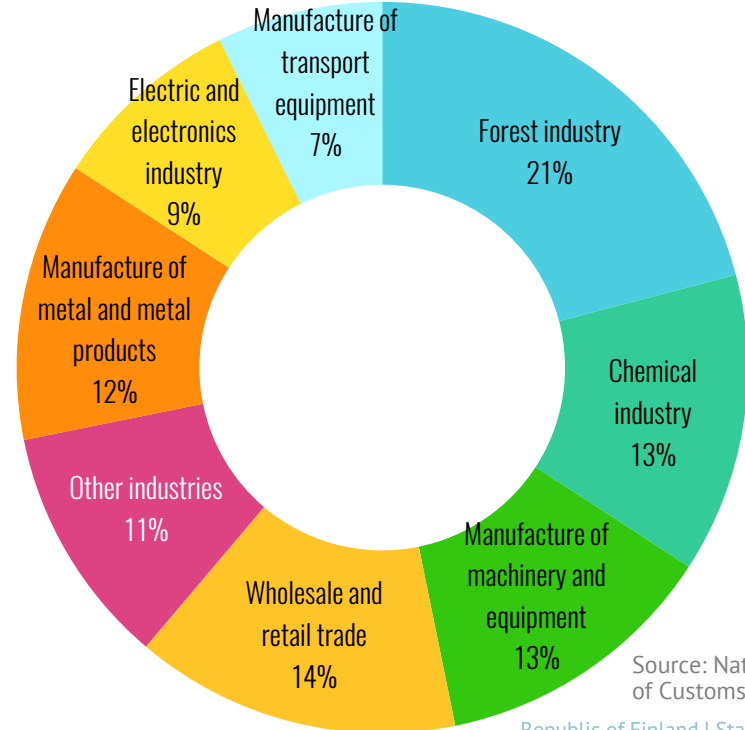


Exports of goods well diversified

Exports by countries of destination 2018



Exports by industries 2018



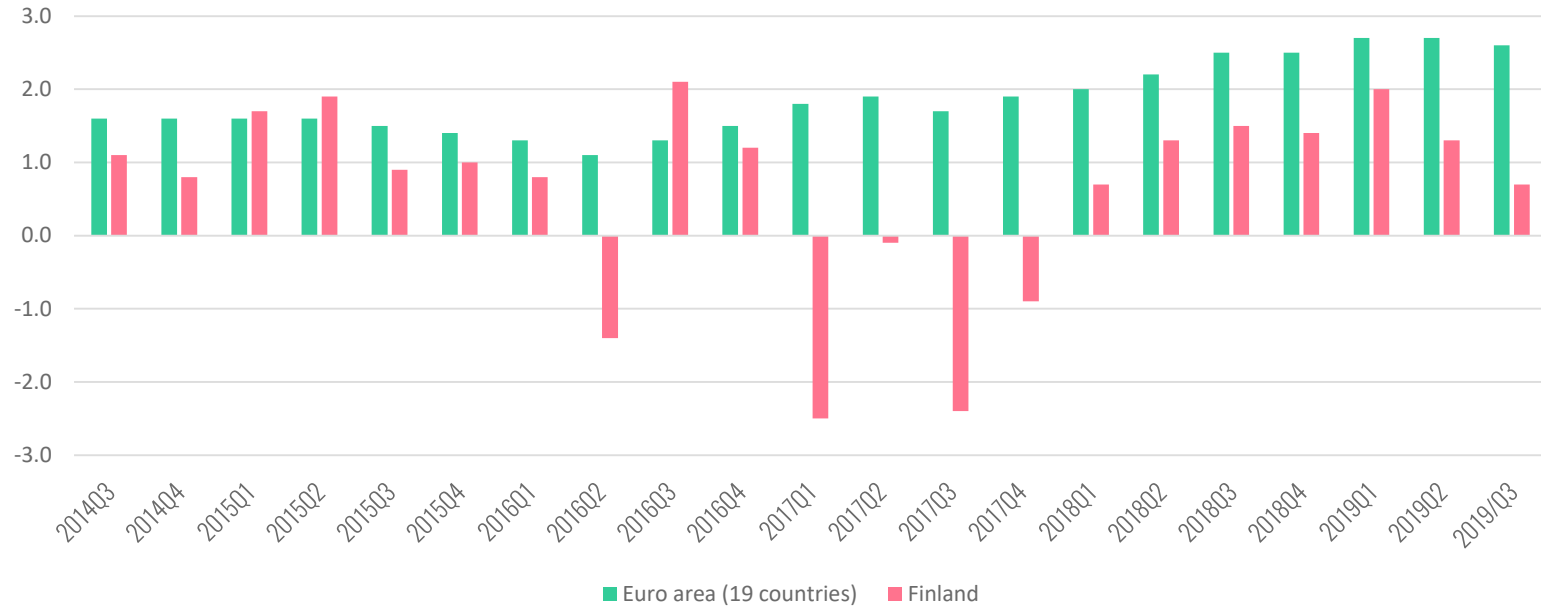
Source: National Board of Customs 2/2019

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Labour costs competitiveness improved

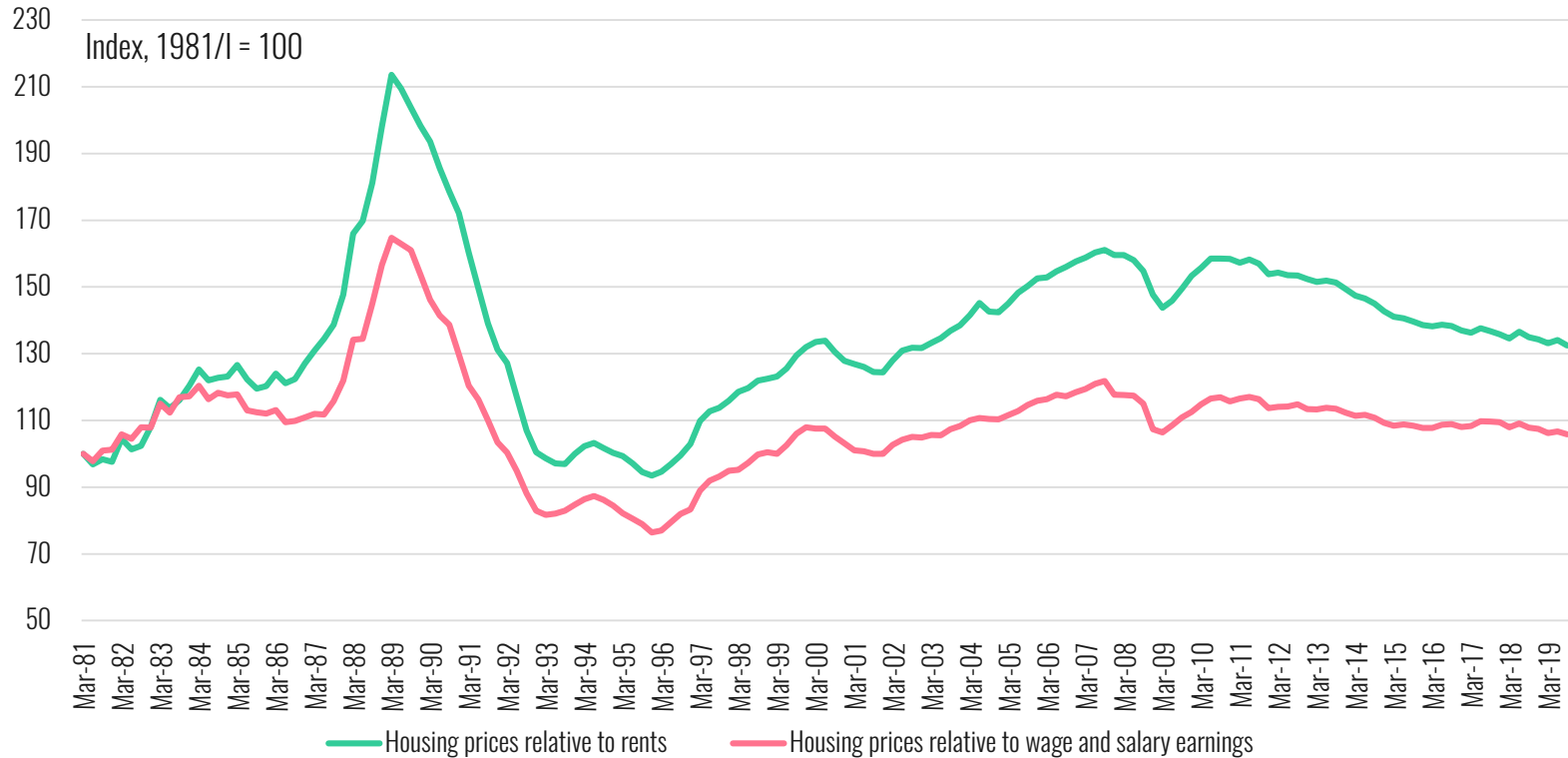
Hourly labour cost % change from previous year



Source: Eurostat



Relative housing prices in Finland





EMU general government financial balance, in ratio to GDP, %



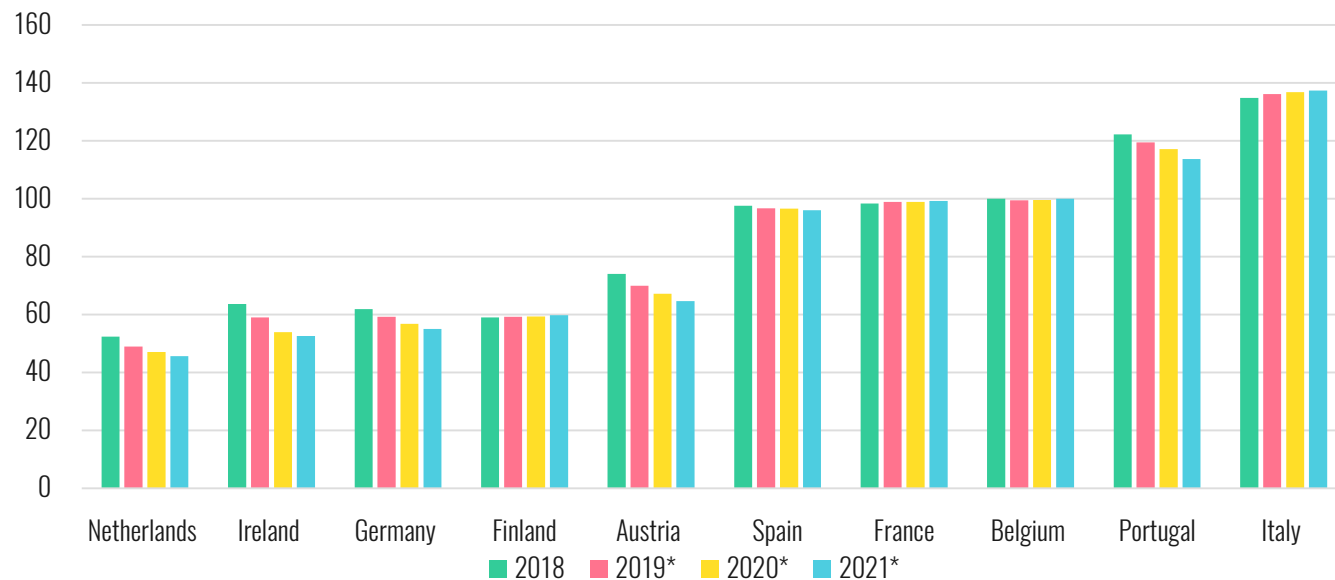
Source: European Commission
Economic forecast, Autumn 2019

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

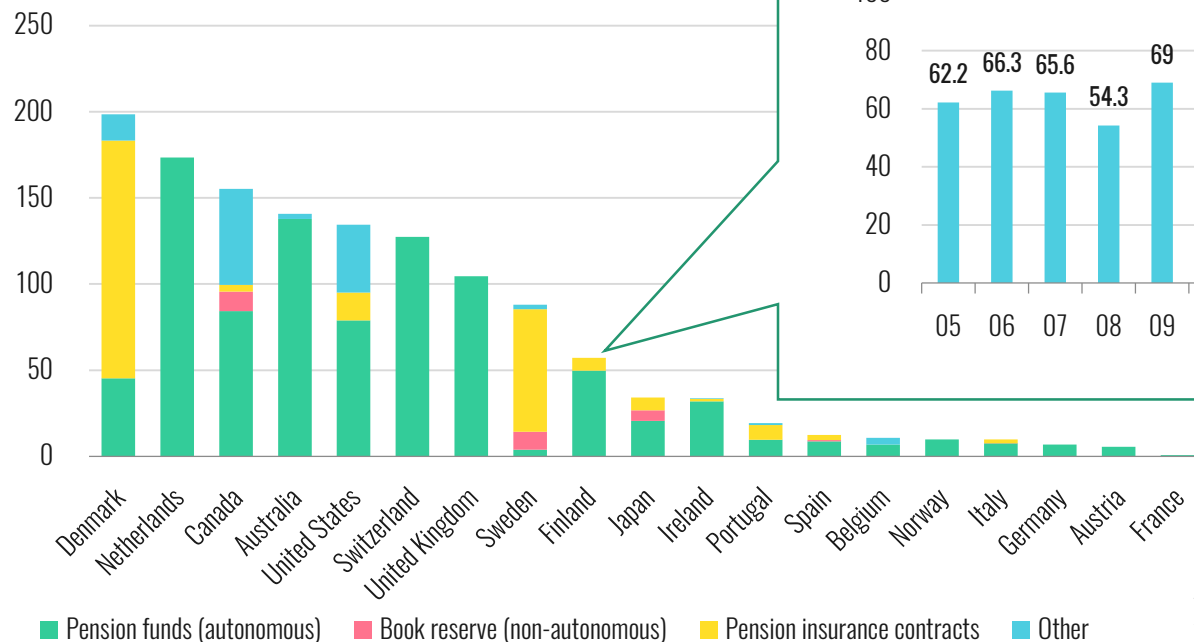
EMU general government gross debt, % of GDP



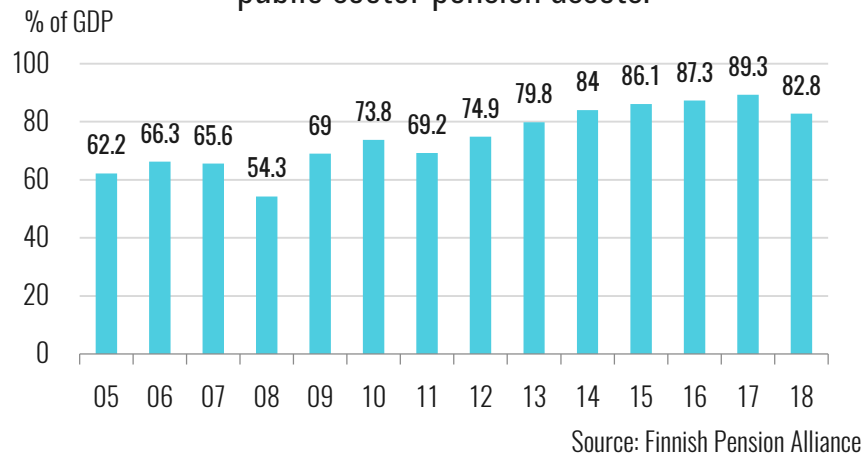
Source: European Commission
Economic Forecast, Autumn 2019



Earnings-related pension assets as % of GDP 2018*



Finland: Earnings-related pension assets including public sector pension assets.



Sources: OECD, Global Pension Statistics 2018, 17 Dec 2019 (excludes public sector pension assets)

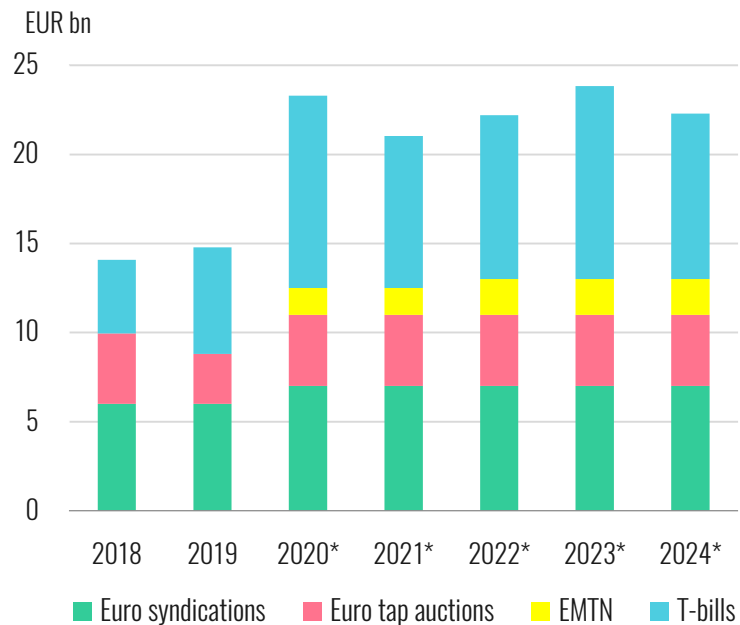
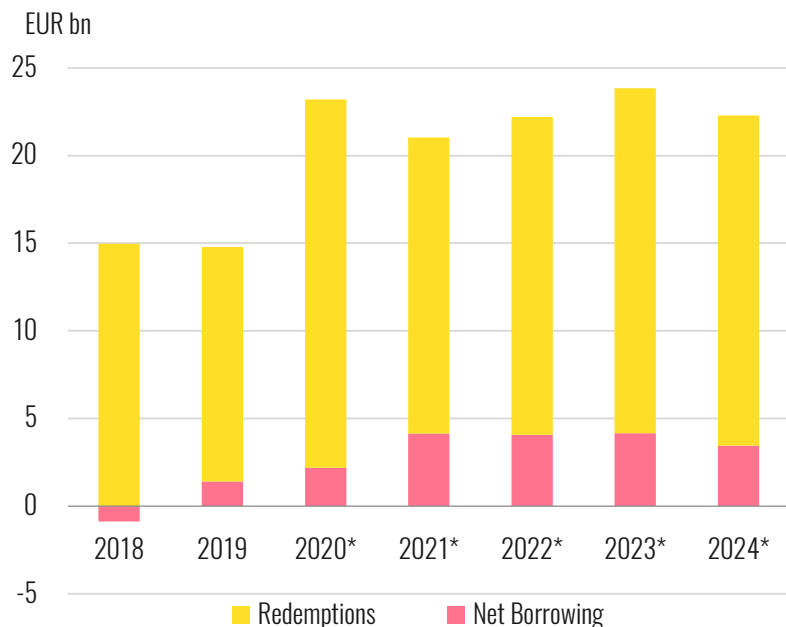


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Funding



Central government gross borrowing estimate and projected funding instrument allocation



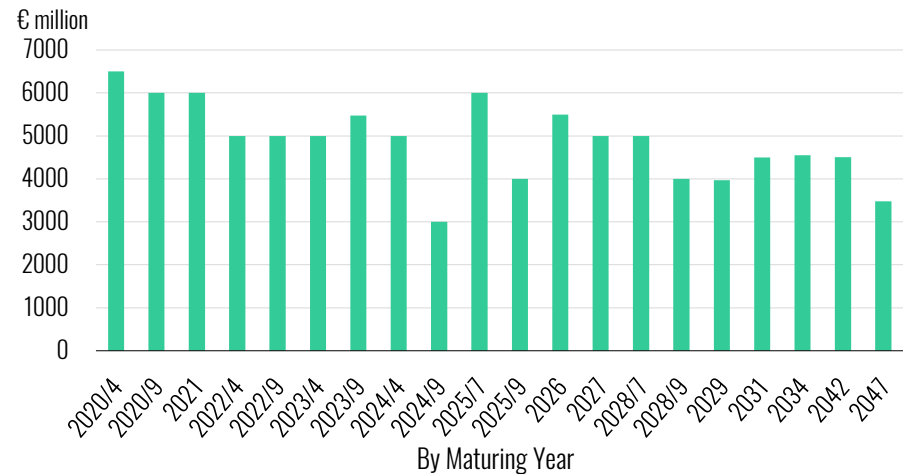


Funding strategy

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

- Euro benchmark bond curve to 30 years
- Two syndicated bonds per year
- Going forward expect 2 to 4 auctions annually
- Liquidity in focus – Primary Dealers and 3 inter-dealer platforms (MTS, BrokerTec, BGC E-Speed)
- EMTN issuance complements Euro benchmark bonds

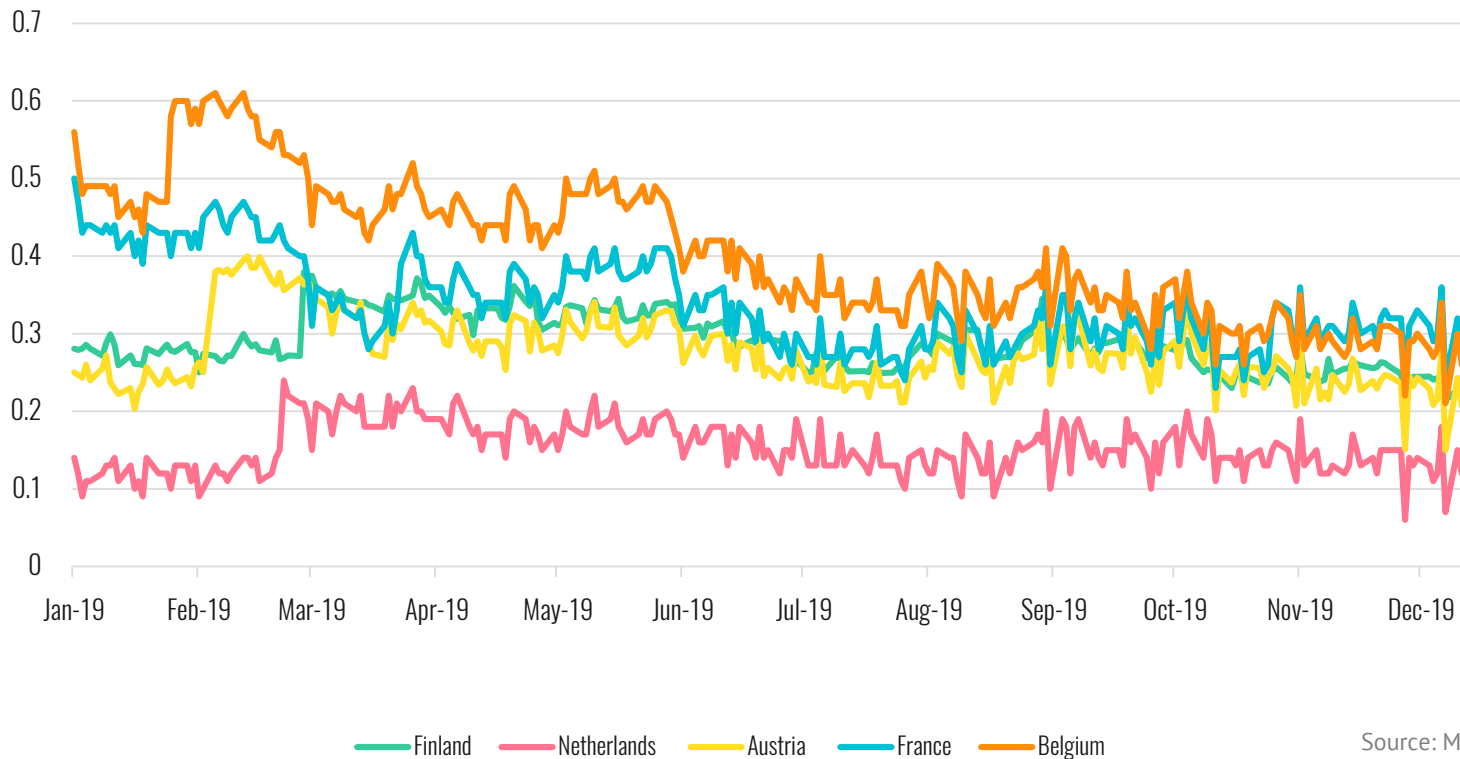
Benchmark/serial bonds outstanding





10-year government bond yield spreads to Germany

Percentage points



Source: Macrobond

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Primary Dealers 2019

Bank of America Merrill Lynch

Barclays Capital

BNP Paribas

Citigroup

Crédit Agricole

Danske Bank

Deutsche Bank

Goldman Sachs

HSBC

J.P. Morgan

NatWest Markets

Nomura

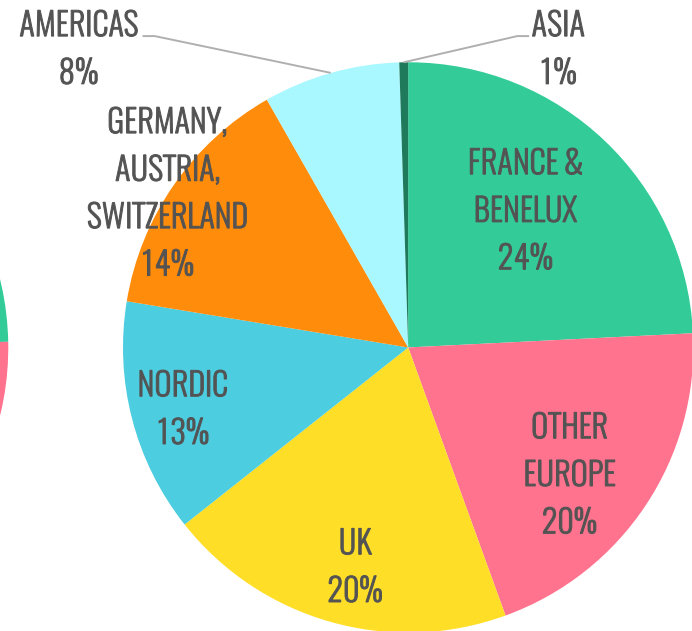
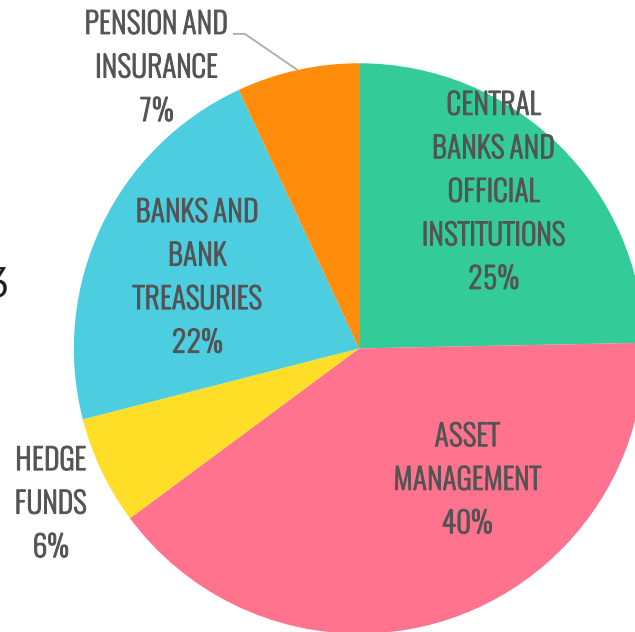
Nordea

Société Générale



Investor base for RFGB 0% EUR 3bn due September 2024

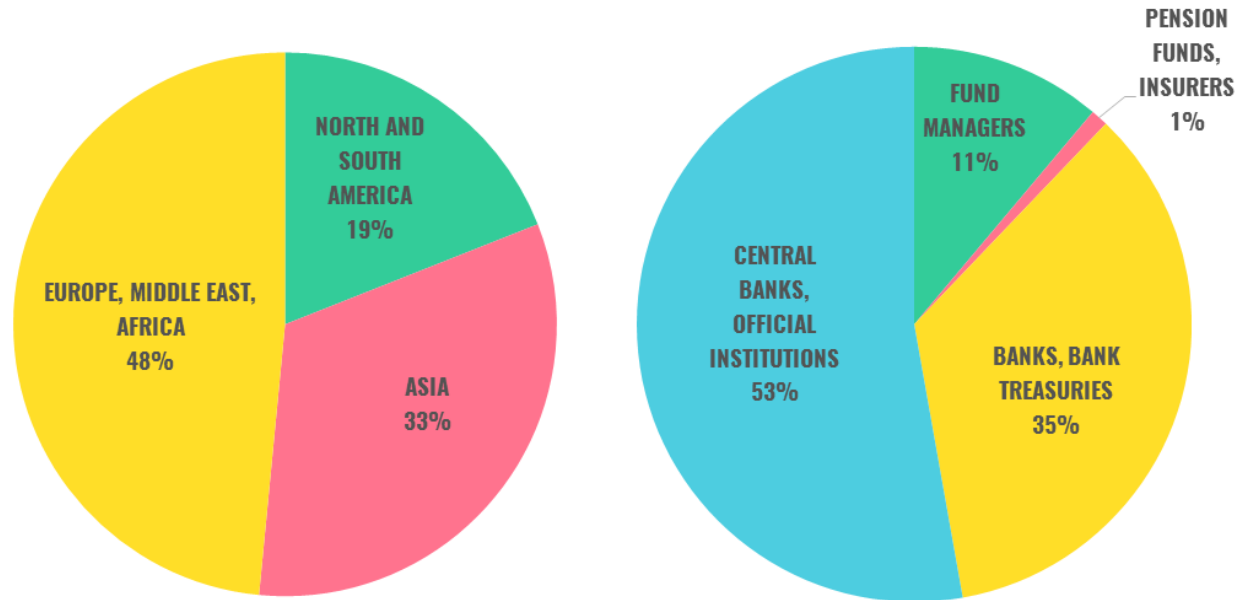
- Launched in August 2019
- Allocated to 83 investors





Investor base for FINL 1,5% USD 1 bn due 2020

- Launched in September 2017
- Allocated to 50 investors





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www.treasuryfinland.fi
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Bloomberg: STF
Reuters: SUVA

Contact information:

Visiting address: Sörnäisten rantatie 13, Helsinki

Mailing address: P.O. BOX 14, FI-00054 STATE TREASURY, FINLAND

Tel. +358 295 50 2000 (switchboard)

e-mail: firstname.lastname@statetreasury.fi