



# Quarterly Review

## Q3/2021

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

Finland's GDP is expected to grow by 3.3% in 2021 according to the forecast of the Ministry of Finance, following last year's contraction of 2.9%. Goods export will drive growth this year. Global economic recovery, stimulus measures and the demand for Finnish exports in important trade areas will affect exports.

The recovery from the COVID-19 pandemic has progressed rapidly since spring this year. In particular, the employment rate has improved rapidly. The economic recovery will continue in the autumn, especially in the sectors that are still subject to restrictions. As a result, economic growth will remain strong during the second half of the year and will continue in 2022. The Ministry of Finance expects the GDP to grow by 2.9% in 2022 and by 1.4% in 2023.

General government deficit will shrink substantially this year and in 2022 as the economic recovery and rapid rise in employment boost the tax revenue and reduce unemployment expenditure. The elimination of the need for spending and support arising from the COVID-19 epidemic will also strengthen general government finances. The public debt-to-GDP ratio increased by 10 percentage points in 2020 to nearly 70%. In the coming years, the indebtedness rate will decelerate considerably, and in the mid-2020s, the debt ratio is expected to temporarily stabilise. The central government debt ratio is expected to be considerably lower in comparison to the public debt ratio.<sup>1</sup>

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 <https://www.treasuryfinland.fi/government-borrowing/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, JULY TO SEPTEMBER 2021

On 24 August 2021, Finland raised EUR 3 billion with a benchmark bond maturing on 15 September 2026. This was the third benchmark issue of the year. The bond was priced at 25 basis points below the euro swap curve, and the final order book amounted to over EUR 15 billion. There was high demand for the bond despite the negative yield of -0.626% at issue. Almost one hundred investors participated in the issue, and the share of Nordic countries (excl. Finland) grew to 41% of the total allocation of the bond.

On 21 September, Finland conducted a tap auction of the bond maturing 4 July 2042. The total amount of bids reached EUR 1 472 million, and the total auctioned amount was EUR 936 million. The accepted price / yield in the auction were 147.430 / 0.274%. The bond's outstanding amount grew to EUR 5 489 million after the auction.

<sup>1</sup> [Ministry of Finance: Economic Survey, Autumn 2021](#)

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In the third quarter of the year, Finland conducted two auctions of euro-denominated Treasury bills. The auctions on 17 August and 14 September raised EUR 3 513 million in total. The auctioned bills' maturities ranged from 6 to 11 months and carried yields between -0.660% and -0.670%. Bid-to-cover ratios ranged from 2.10 to 2.45.

### NEAR-TERM OUTLOOK FOR THE PERIOD OF OCTOBER TO DECEMBER 2021

The government's latest supplementary budget for 2021 (dated 23 June) indicates a net borrowing requirement of EUR 14.4 billion which implies gross borrowing of EUR 38.6 billion. However, given the positive development in economic growth, further supplementary budgets during the last quarter may alter the requirement. Long-term funding operations for 2021 are well advanced with all of the euro-denominated supply in syndicated form completed.

To complete the long-term funding requirement for the year, one or two more tap auctions of existing euro benchmark bond lines may take place in the last quarter of the year. The next bond auction will take place on 19 October. Further details on the auction and an updated auction calendar are published on <https://www.treasuryfinland.fi/funding-instruments/auctions/#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 auctions of euro-denominated Treasury bills are expected to take place on 12 October and 9 November. The auctions will be arranged in the Bloomberg Auction System and are open to the RFTB dealer group. Further information on Treasury bill auctions and a quarterly updated auction calendar will be published on <https://www.treasuryfinland.fi/funding-instruments/auctions/#treasury-bill-auctions>.

In addition to Treasury bill auctions, an issuance window for bills is likely to open during the last 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 22 December 2021.

#### Further information:

Anu Sammallahti, Deputy Director, tel. +358 295 50 2575, or Mika Tasa, Treasury Front Office, tel. +358 295 50 2552, [firstname.lastname\(at\)statetreasury.fi](mailto:firstname.lastname(at)statetreasury.fi)