



State Treasury  
Republic of Finland

# Finnish central government borrowing

November 2024

# AA+

# AA+

## Credit ratings

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

For long-term debt, they are

**AA+** and **AA+**

(negative, stable)

# 1 Finnish economy

# Economic growth expected to gain speed next year

- Finnish economy grew slightly in H1 of 2024 – lowest point of economic cycle now passed
- Domestic demand supported by slowing inflation, falling interest rates and growth in household income
- Recovering global trade will boost Finland's exports from 2025
- Government's consolidation measures (EUR 9bn by 2027) are expected to reduce demand, increase prices and weaken economic growth by a total of 0.5 per cent in 2025 and 2026.
- Debt ratio will continue to grow but more slowly

	2023*	2024*	2025*	2026*
GDP change, %	-1.2	-0.2	1.7	1.5
Inflation, %	6.2	1.8	1.4	1.3
Current account, % of GDP	-1.1	-0.9	-1.0	-1.0
Private investment change, %	-9.4	-2.9	4.1	3.8
Exports change, %	-0.1	-1.1	4.0	3.1
Unemployment rate, %	7.2	8.0	7.6	7.2
Public deficit, % of GDP	-2.9	-3.7	-3.2	-2.6
Public debt, % of GDP*	76.6	81.7	84.0	84.8

\*The general government debt ratio increased by about 6 percentage points (approximately EUR 15 billion) from 66% to roughly 72% at the level of 2021 **due to Statistics Finland implementing a change in methodology**. The change was related to the interest subsidy loan system for rental and right-of-occupancy dwellings.

Source: Ministry of Finance, Autumn 2024  
\*)forecasts

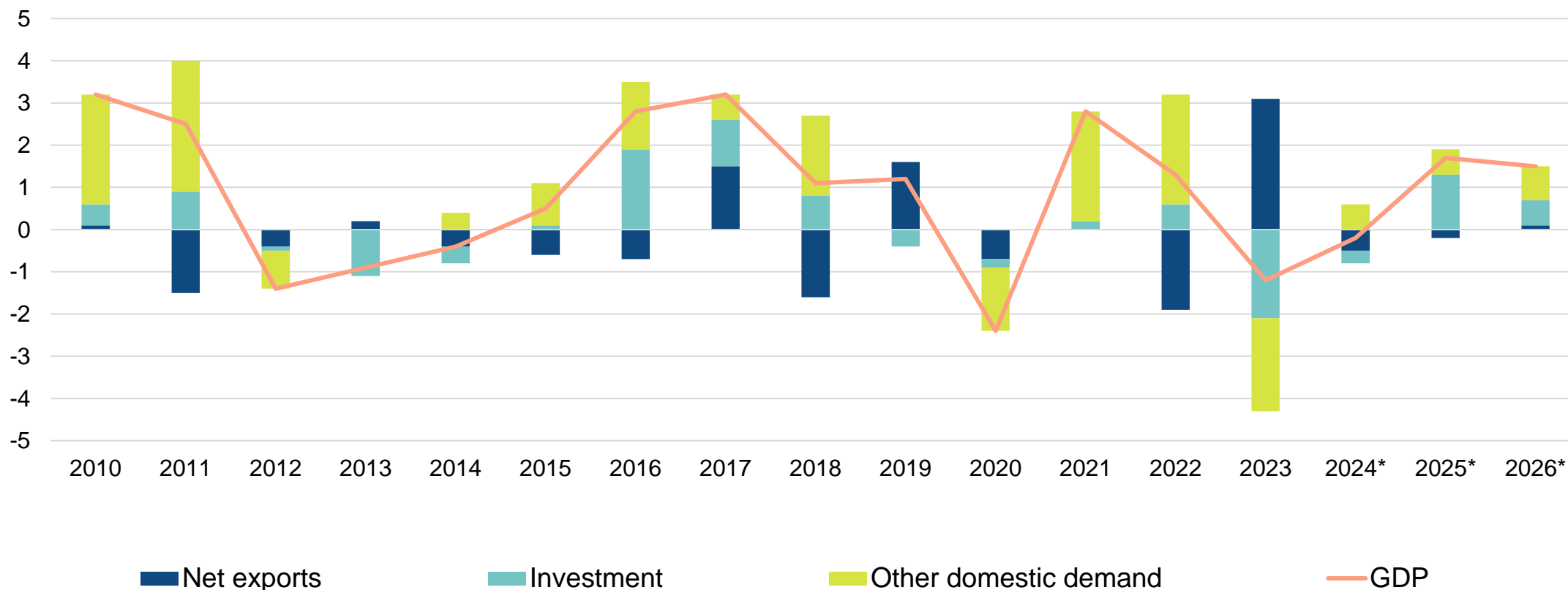


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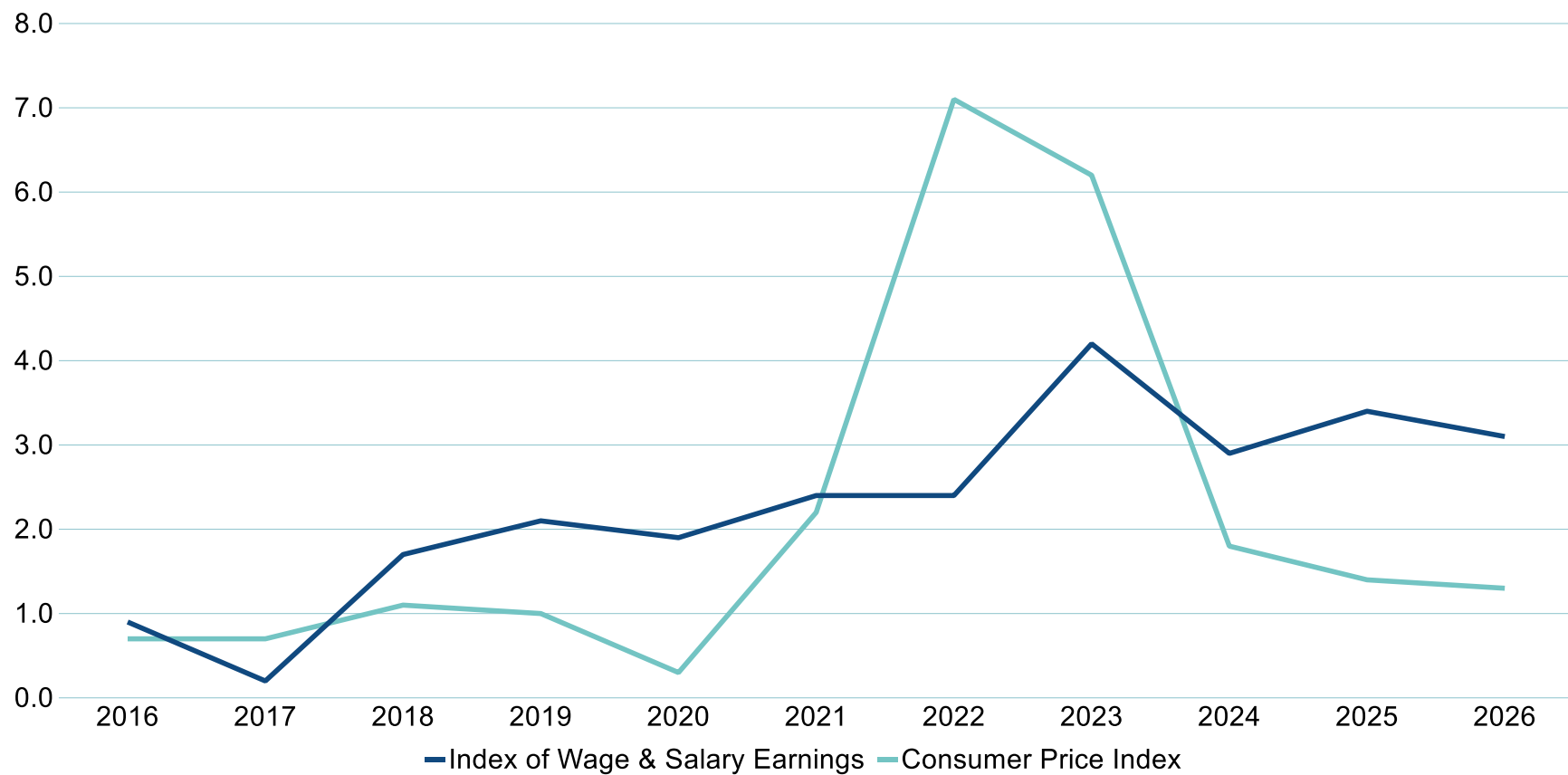
# Domestic demand and investments to drive GDP growth from 2025

## Contribution to GDP growth in Finland

percentage points



# Inflation has slowed considerably, upward pressures on prices low

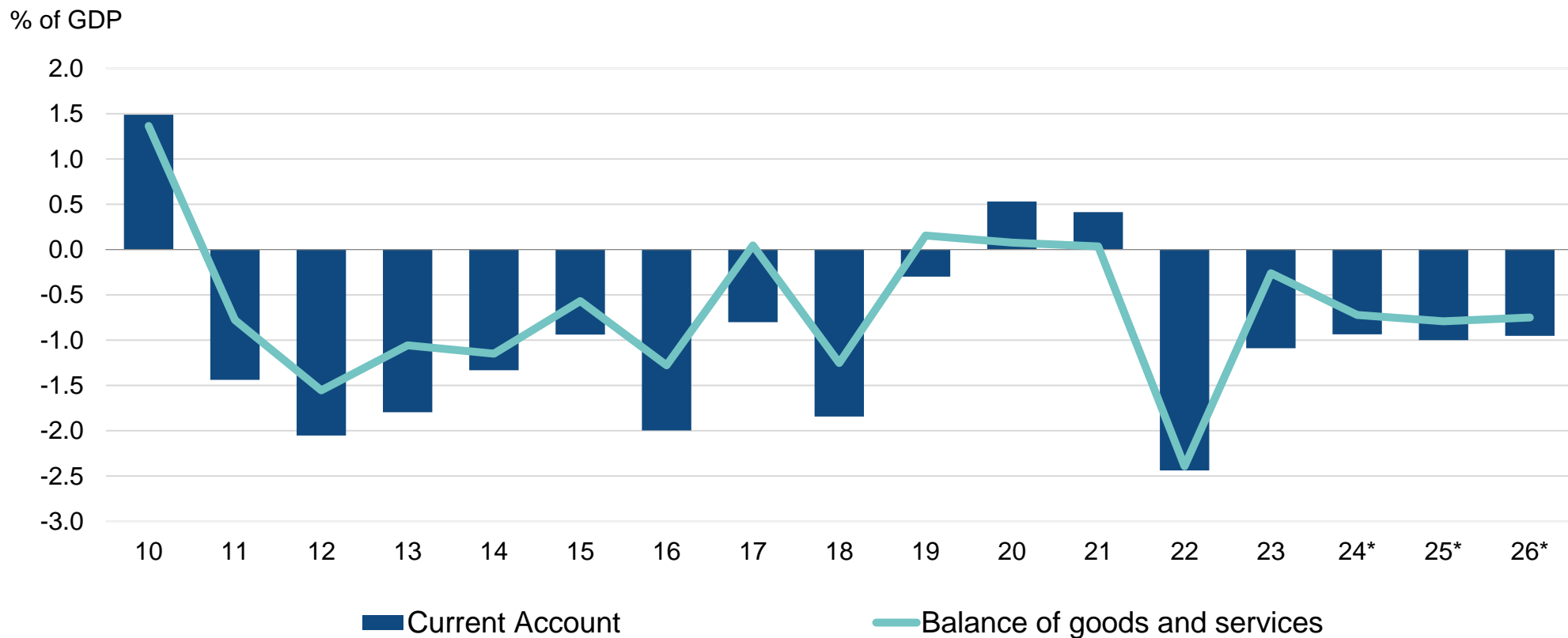


Source: Ministry of Finance, Macrobond, Spring 2024  
\*) forecasts



# Current account deficit stabilised to 1% of GDP

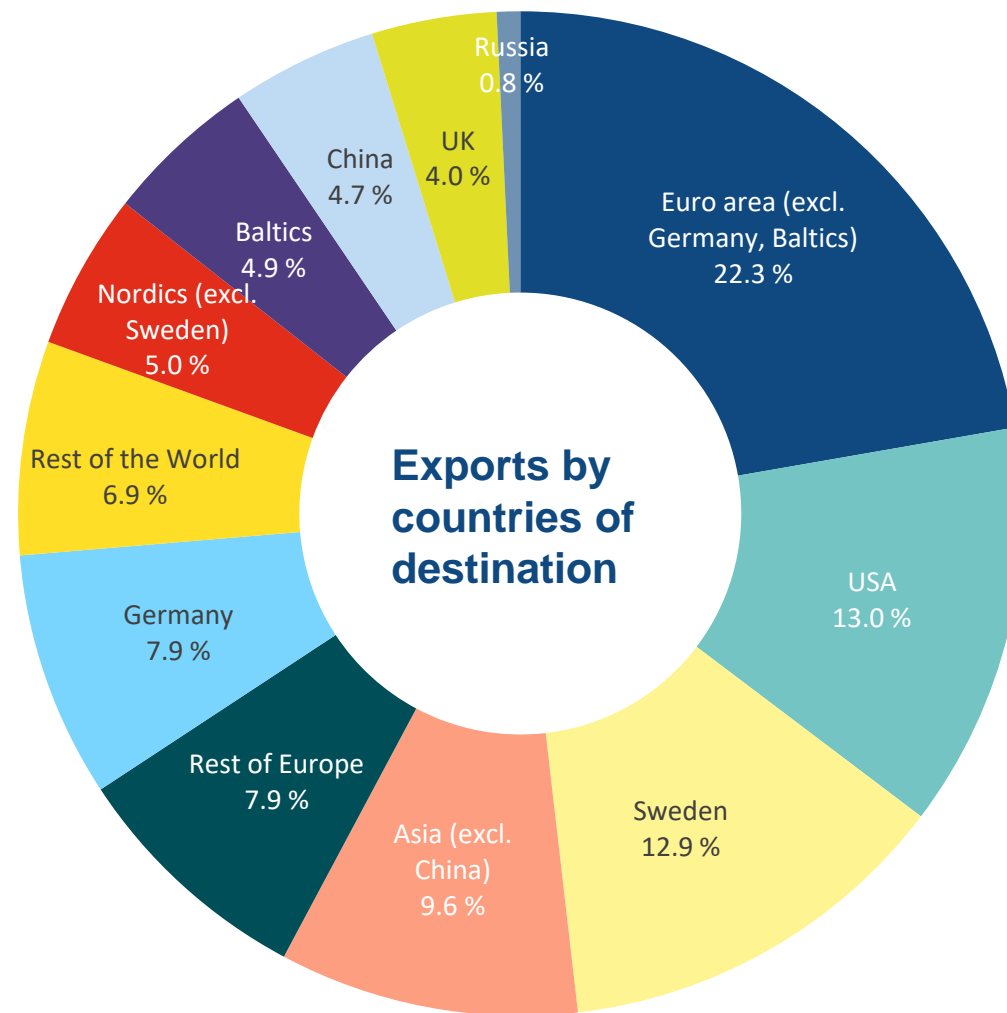
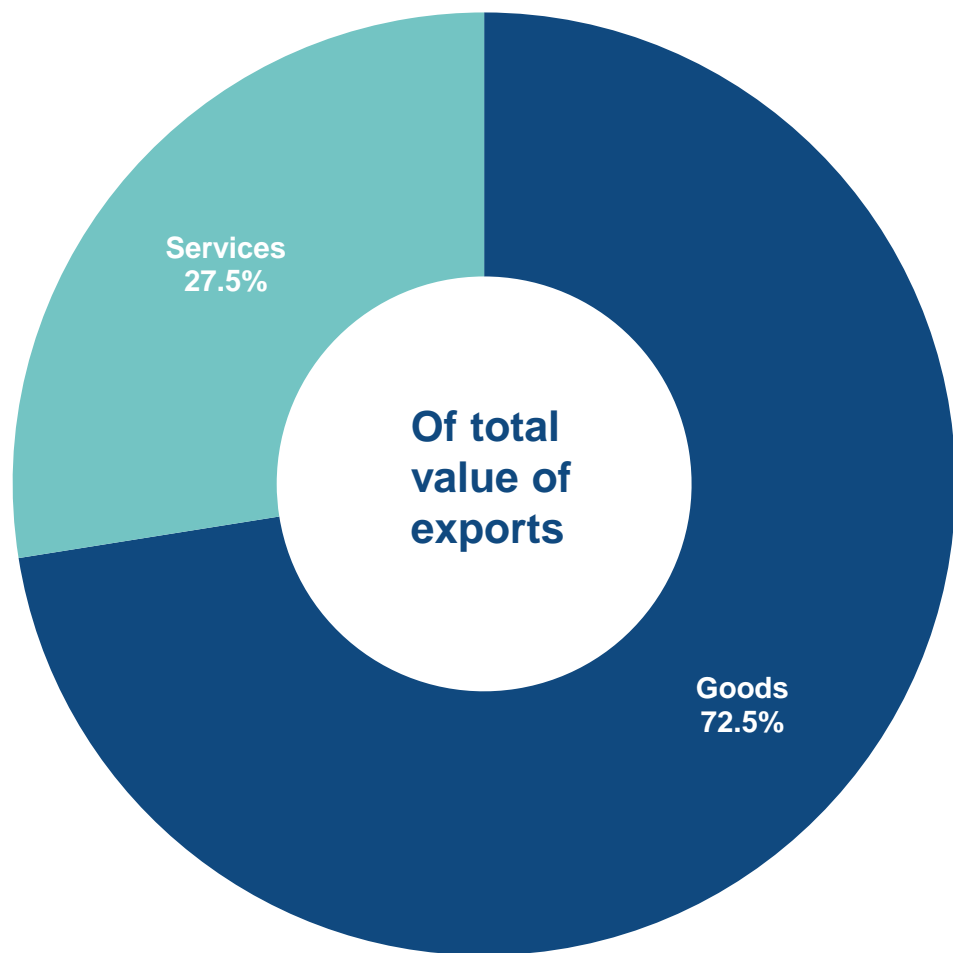
## Current account



\*)forecasts

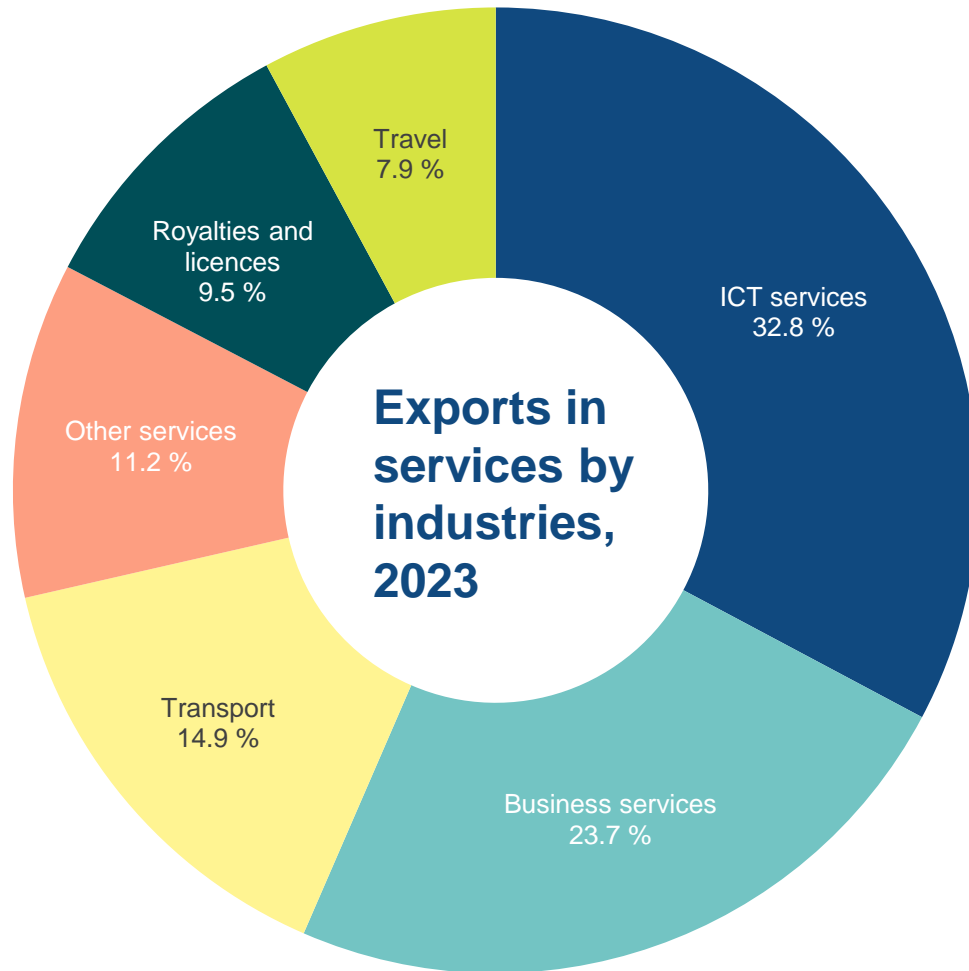


# Finnish total exports in 2023





# Finnish main exports in services and goods



# The energy sector in Finland

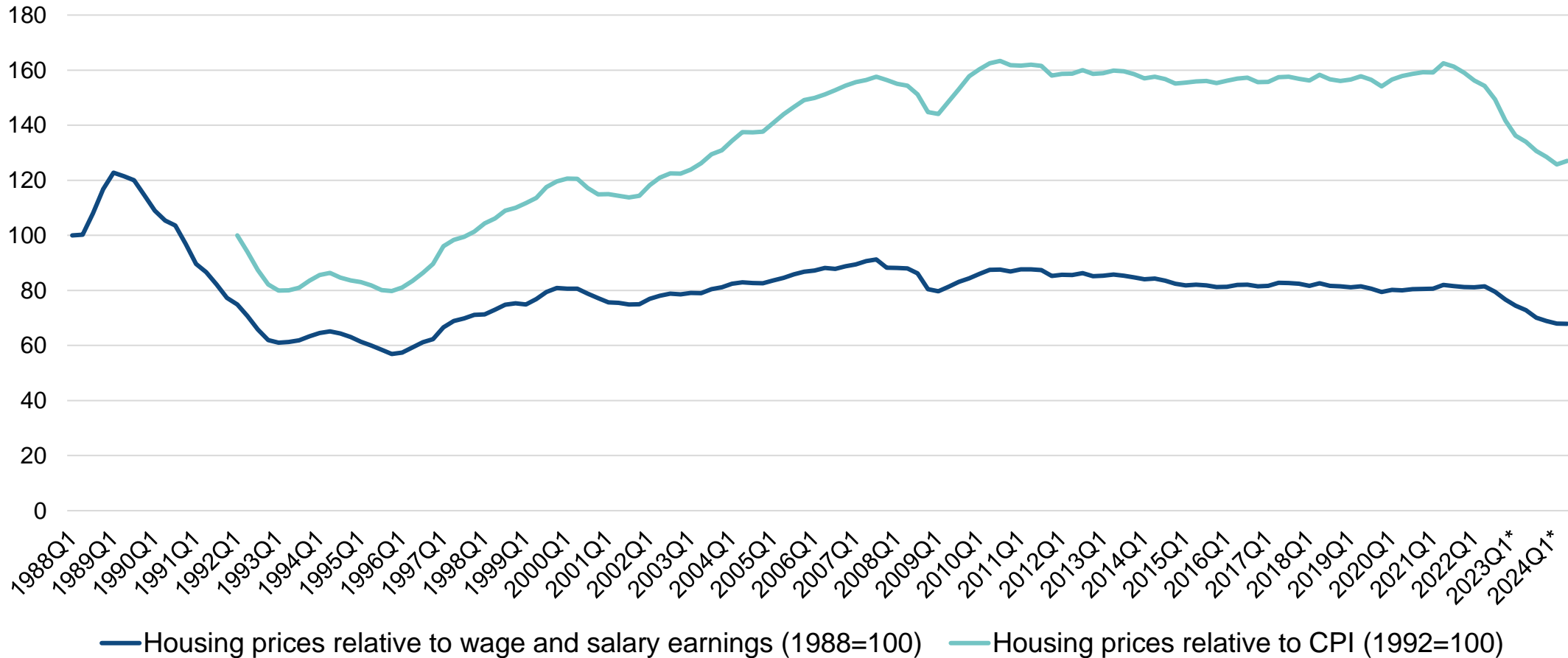
- Share of renewables is at 42% the second highest in EU.
- Domestic electricity production covered already 98% of Finland's electricity demand in 2023.
- Olkiluoto 3 nuclear power plant, operational from April 2023, has increased Finland's self-sufficiency in energy significantly.
- Consumption of fossil fuels decreased by 10% in 2023 compared to the previous year.

Total energy consumption by source 2023



# Relative housing prices in Finland

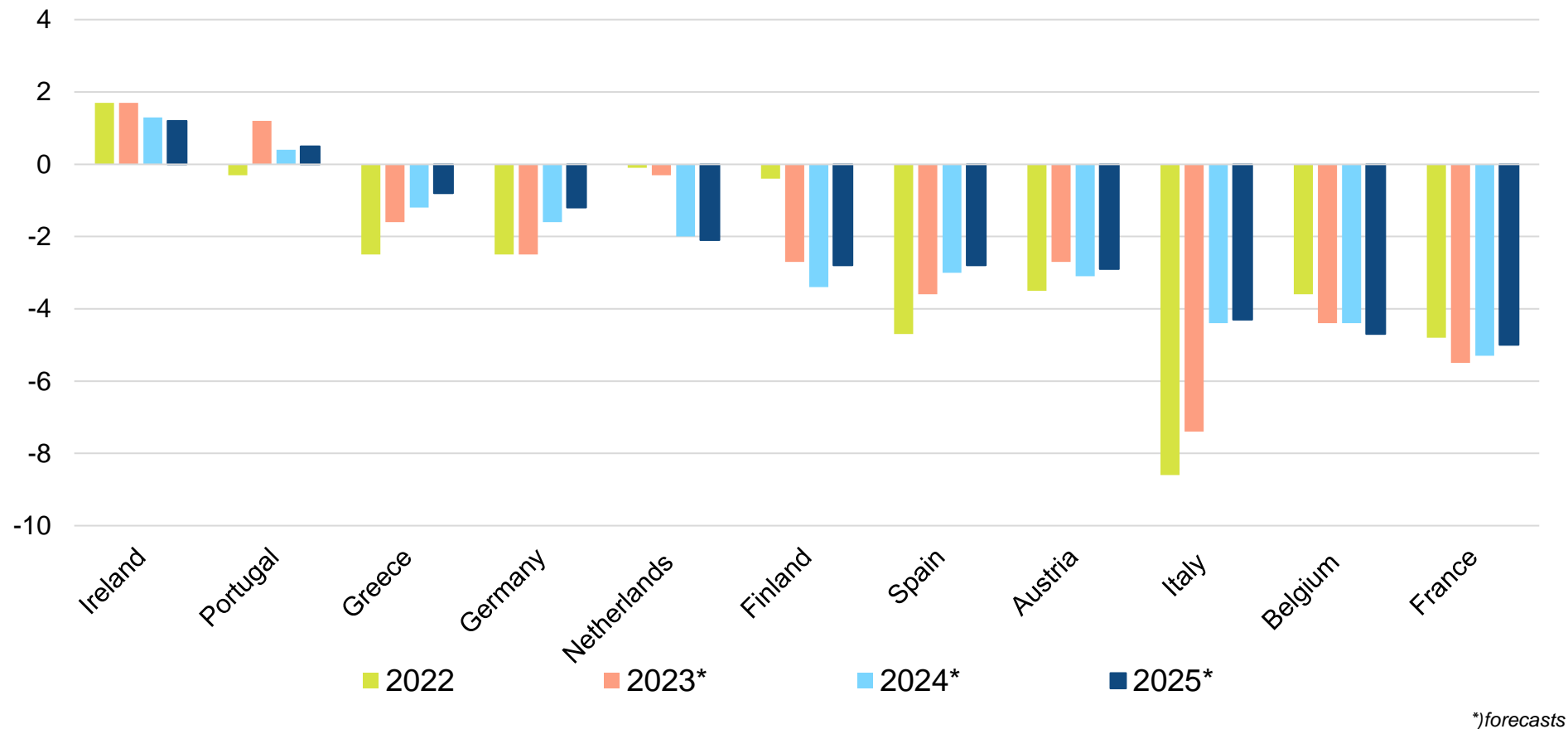
## Relative housing prices in Finland



# EMU general government financial balance

## EMU general government financial balance

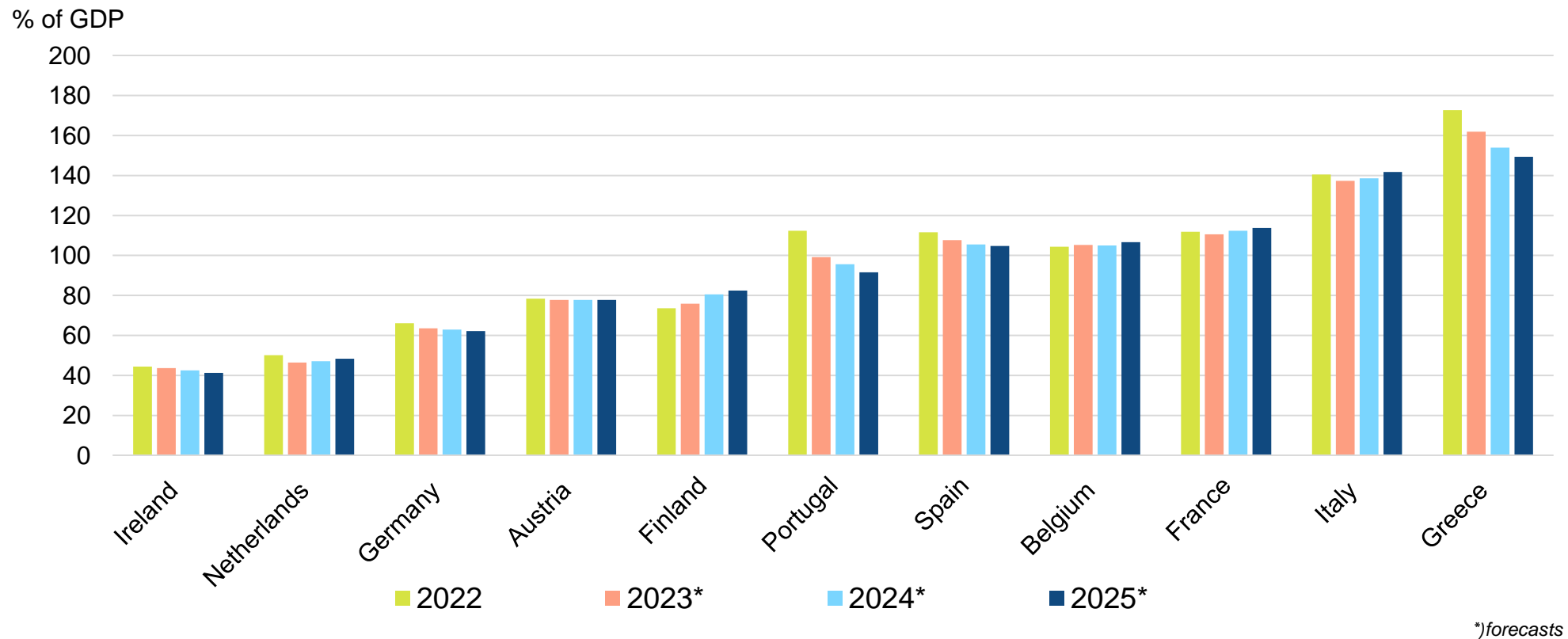
in ratio to GDP, %



Source: European Commission, Spring 2024  
\*)forecasts

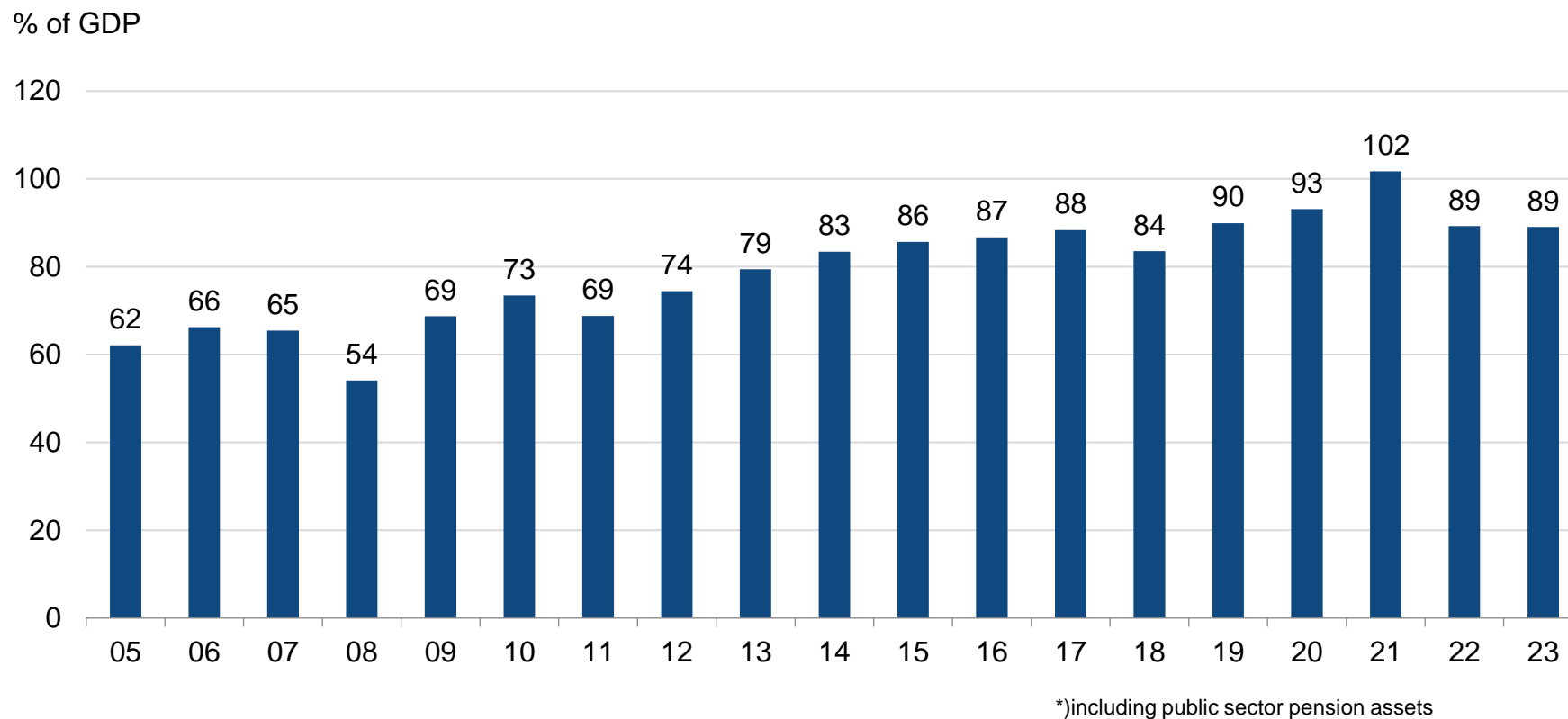
# The public debt-to-GDP ratio in Finland is below the EU average

## EMU General Government Gross Debt



Source: European Commission, Spring 2024  
\*)forecasts

# Earnings-related pension assets as % of GDP

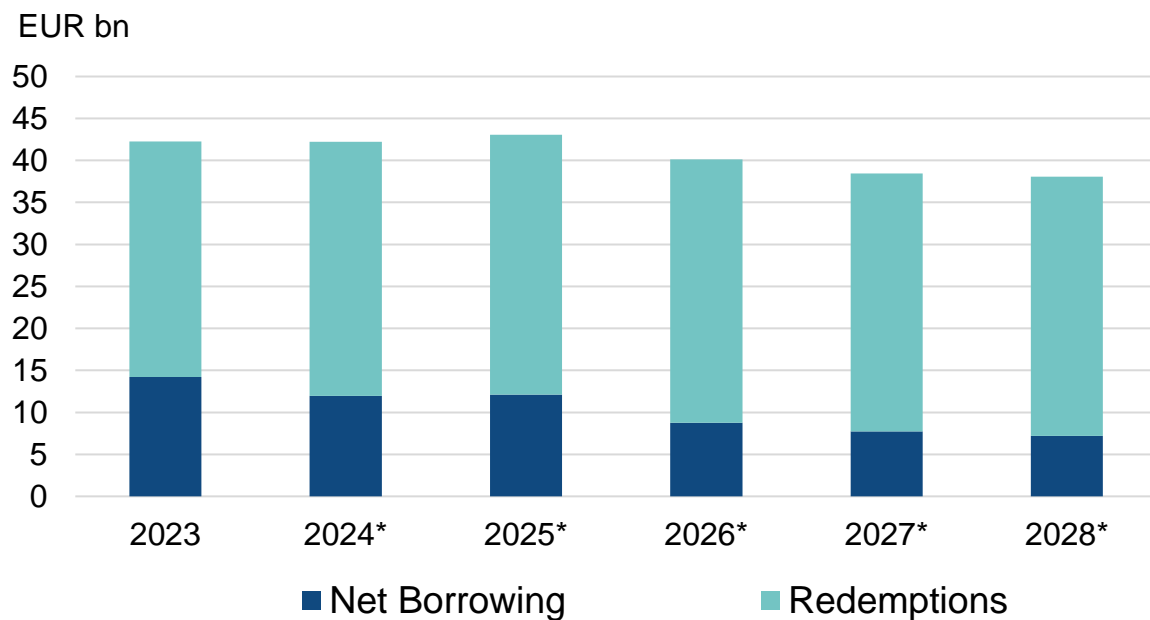


Source: Finnish Pension Alliance

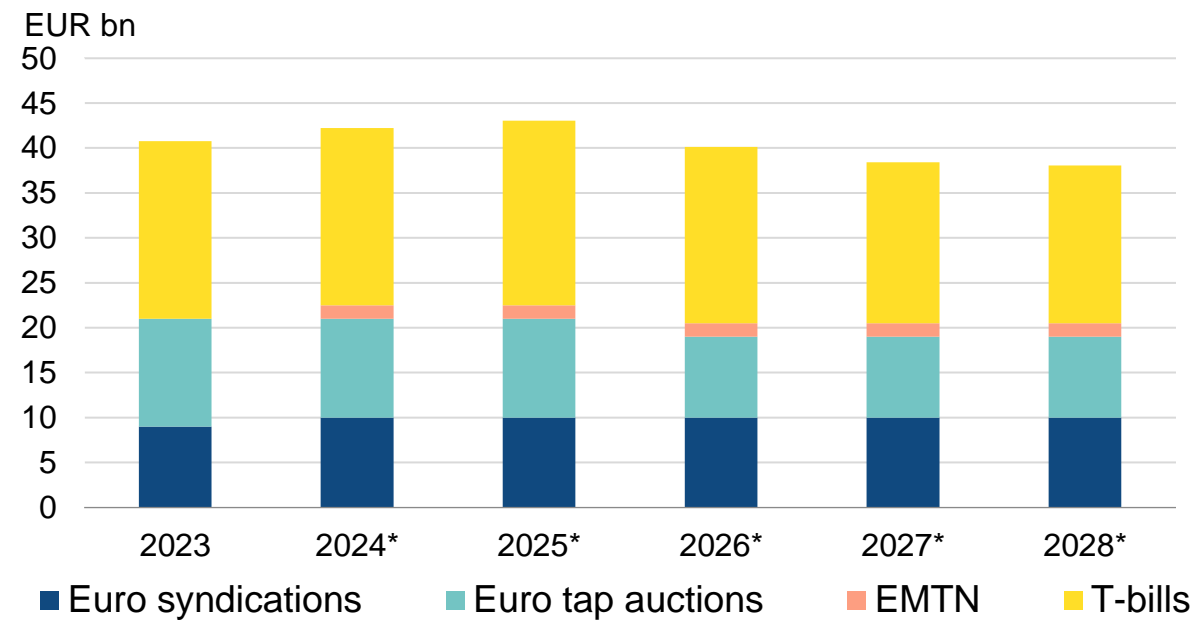
# 2 Funding

# Central government gross borrowing estimate and projected funding instrument allocation

## Central government gross borrowing



## Projected funding instrument allocation



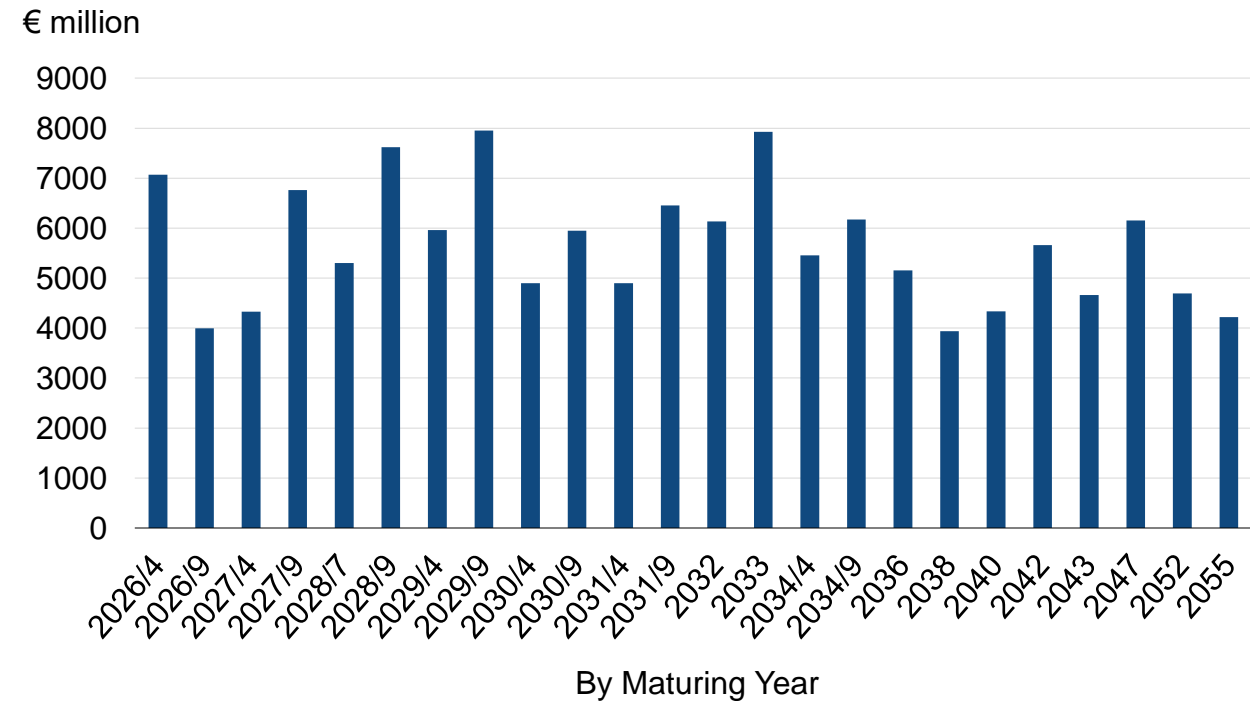


# Funding strategy

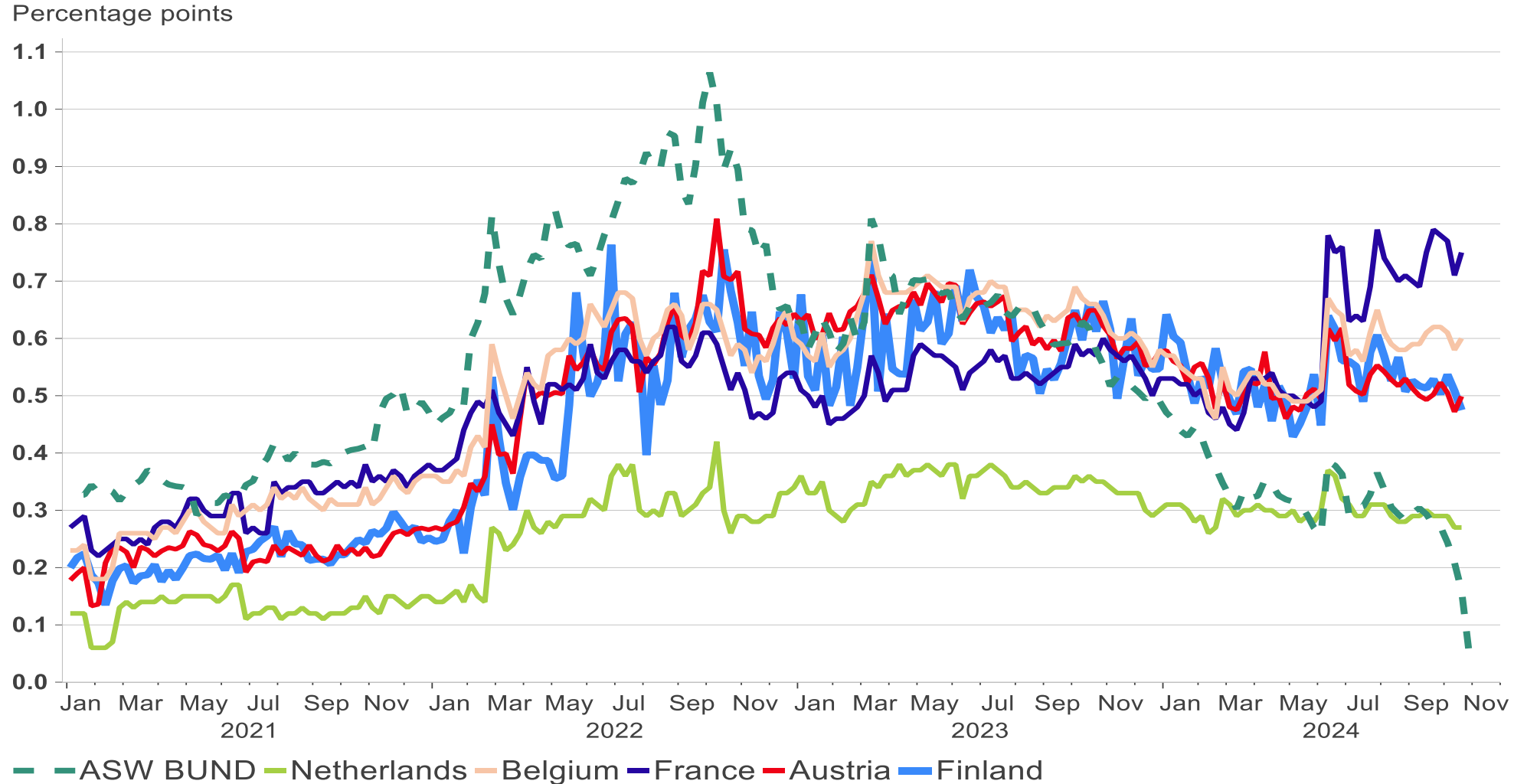
“Maintaining a globally diversified investor base by geography and investor type”

- Euro benchmark bond curve to 30 years
- Three syndicated euro benchmark bonds per year complemented by tap auctions
- Liquidity in focus – Primary Dealers and both customer and inter-dealer platforms
- EMTN issuance complements euro benchmark bonds

Benchmark bonds outstanding



# 10-year government bond yield spreads to Germany & ASW BUND



MACROBOND

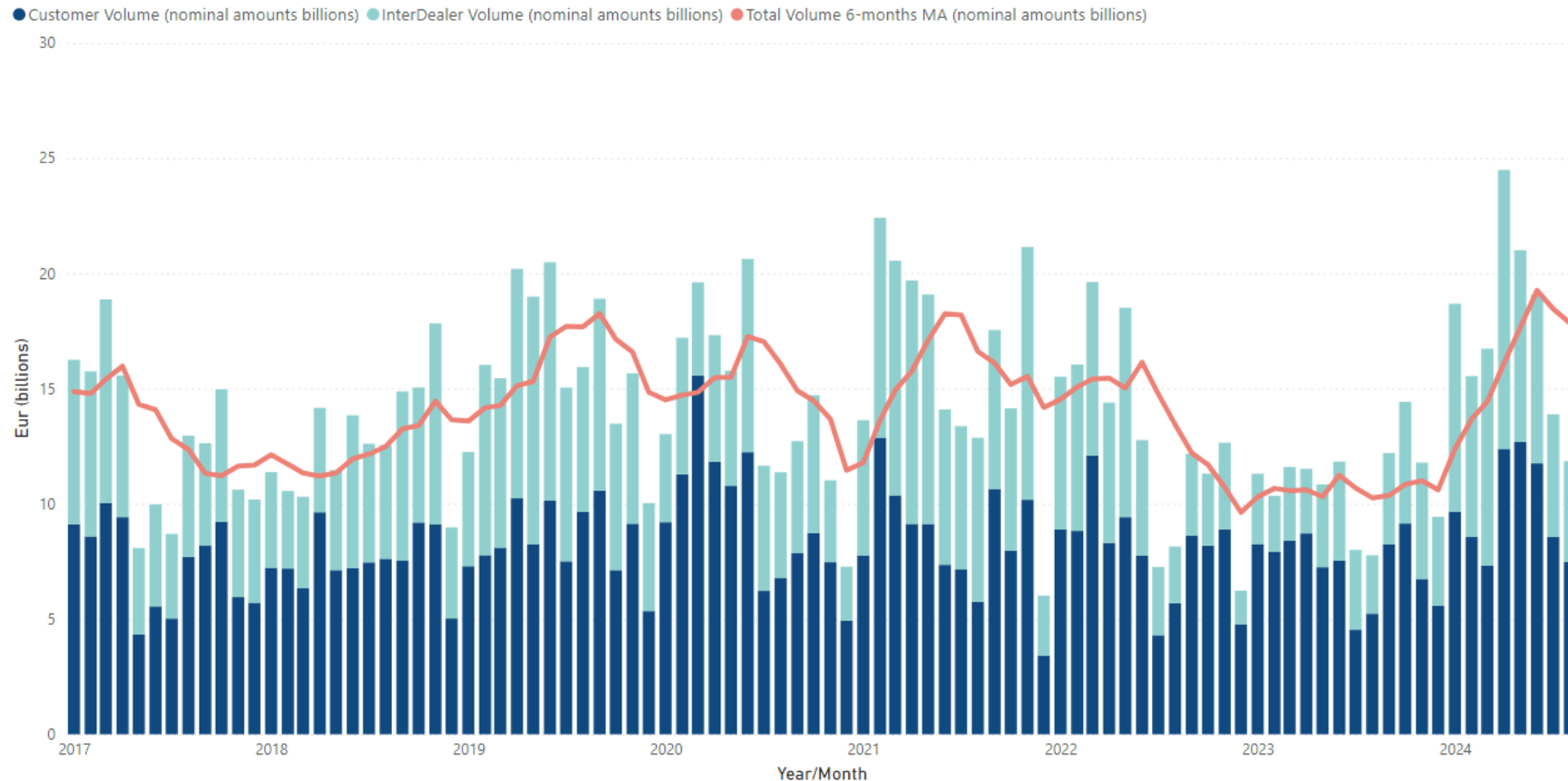


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# RFGB secondary market activity

Monthly secondary turnover (sales + purchases)

RFGB secondary market activity



# Primary Dealers 2024

BofA Securities

HSBC

Barclays

J.P. Morgan

BNP Paribas

Nomura

Citi

Nordea

Crédit Agricole

Société Générale

Danske Bank

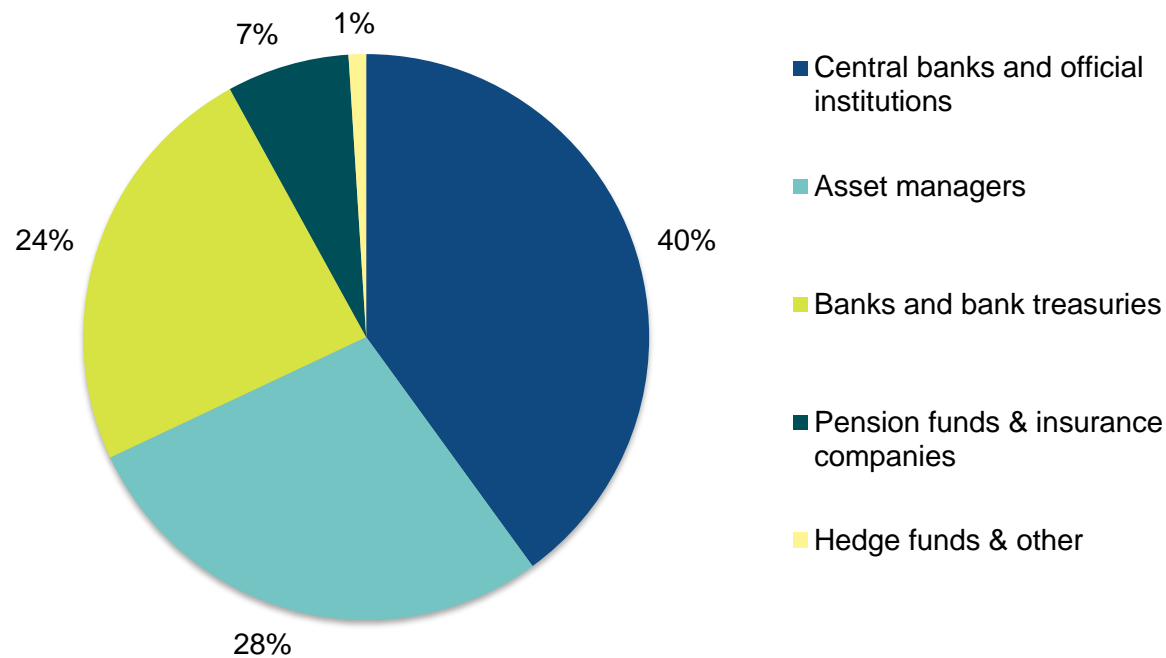
Deutsche Bank

Goldman Sachs

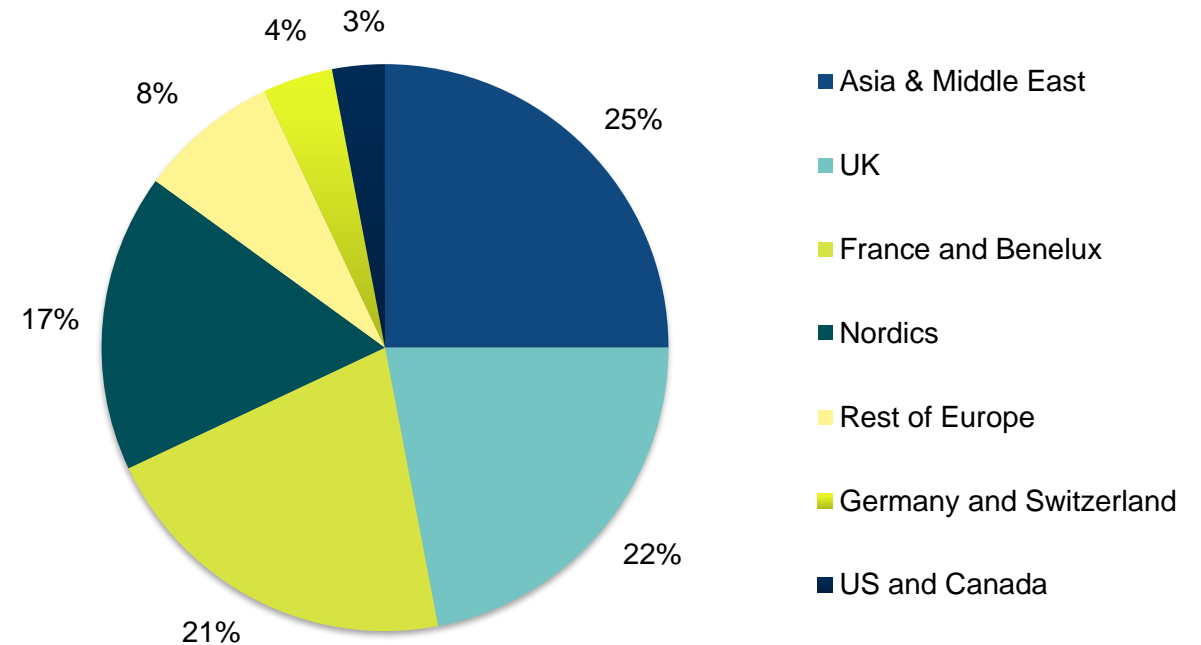
# Investor base for RFGB 2.500% EUR 4bn due April 2030

- Launched in August 2024
- Allocated to circa 80 investors

**Distribution of the bond by investor type**



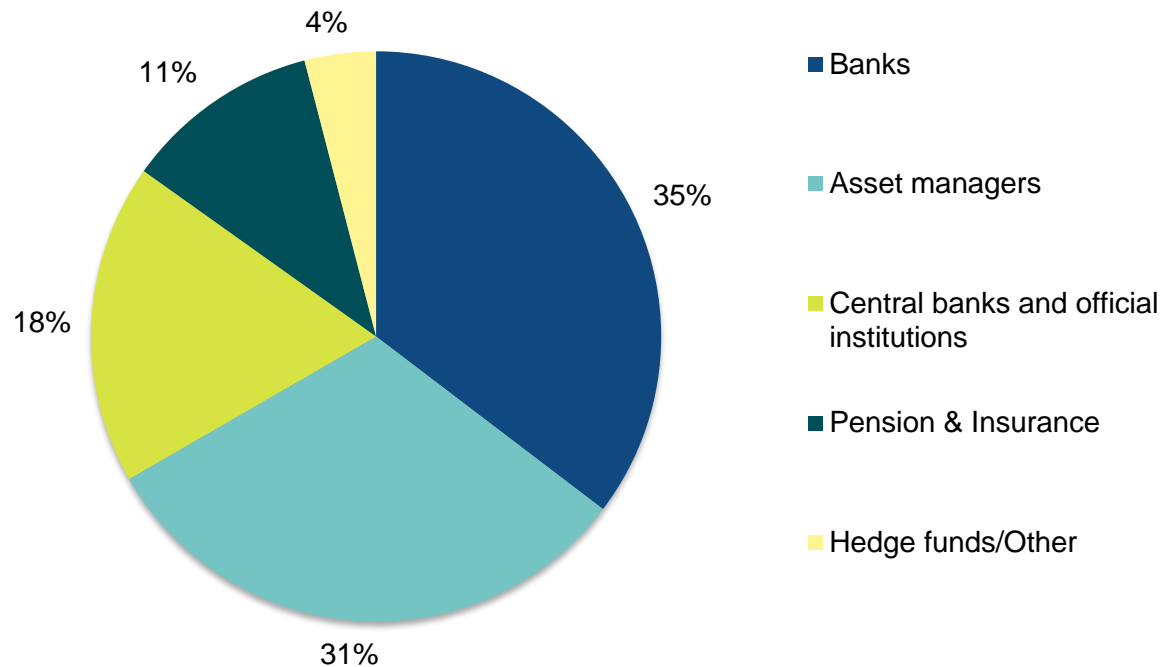
**Distribution of the bond by region**



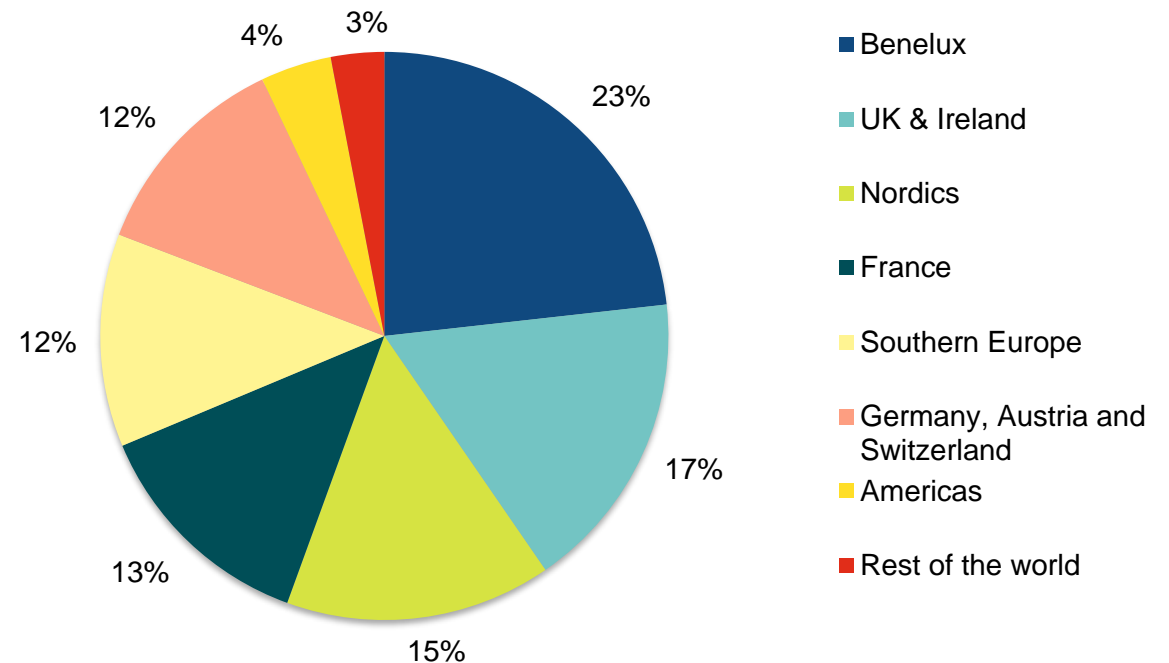
# Investor base for RFGB 3% EUR 4bn due September 2034

- Launched in April 2024
- Allocated to over 160 investors

**Distribution of the bond by investor type**



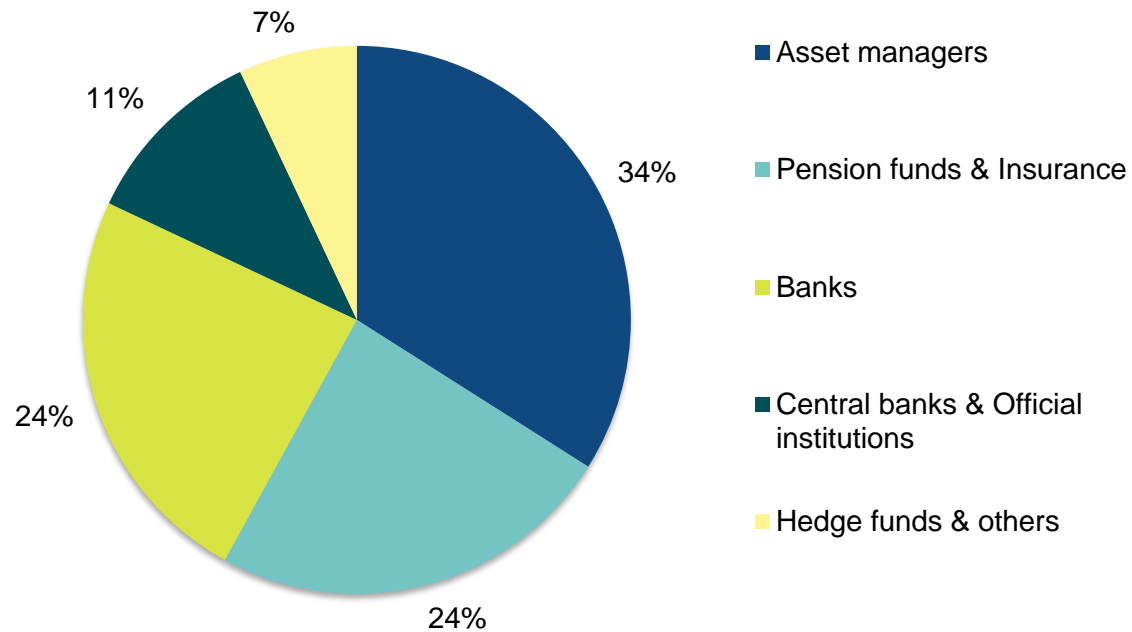
**Distribution of the bond by region**



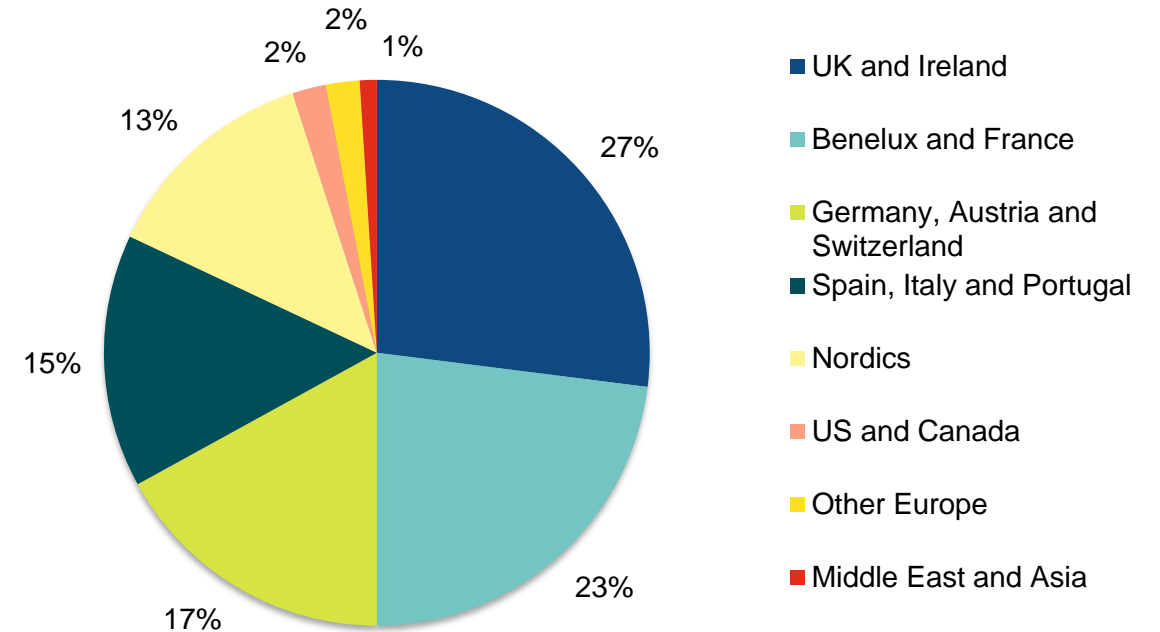
# Investor base for RFGB 2.950% EUR 3bn due 15 April 2055

- Launched in January 2024
- Allocated to over 90 investors

**Distribution of the bond by investor type**



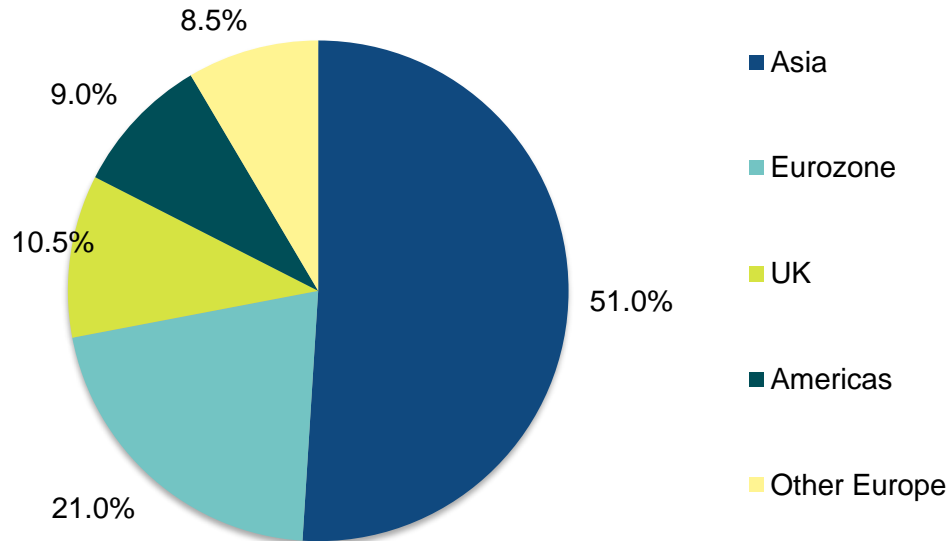
**Distribution of the bond by region**



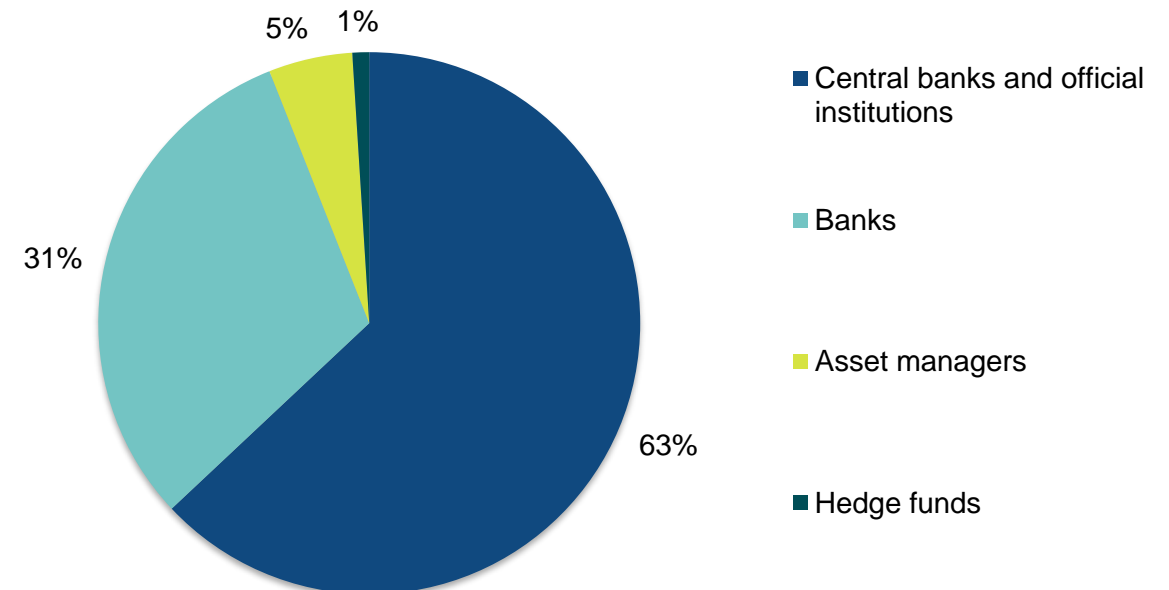
# Investor base for FINL 4.375% USD 1bn due July 2034

- Launched in June 2024
- Previous syndicated emission in USD market in 2020

**Distribution of the bond by region**



**Distribution of the bond by investor type**





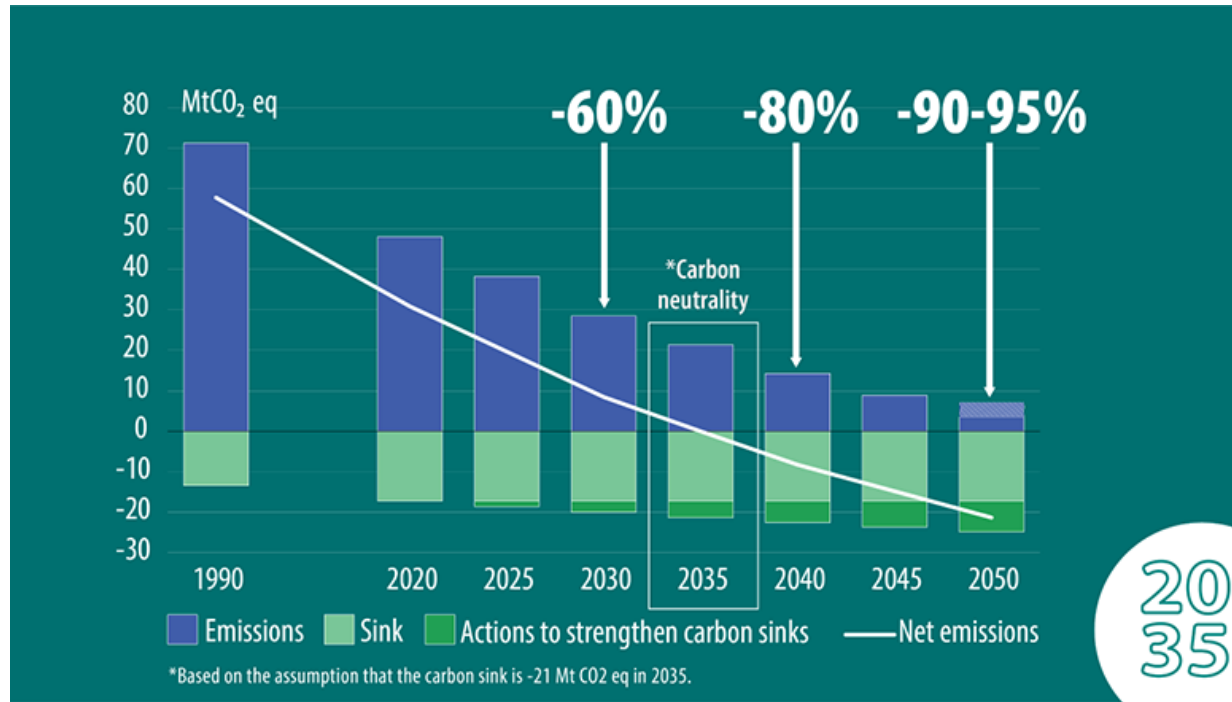
# 3 Sustainability

# Sustainability in Finland: current themes

- Finland is by many metrics a global forerunner in sustainability
- Finland ranks #1 progress in towards the **Sustainable Development Goals**
- Finland's net zero emissions goal is 2035
  - New Climate Change Act in 2022
  - **Annual Climate Report** tracks progress towards the target
- National Biodiversity strategy underway
- More on **Finland & ESG**

# Finland's national target is net zero carbon emissions by 2035

## Emissions reduction targets set in the Climate Change Act



**Latest estimate:** rate of emission reductions in line with the 2030 target of climate act

- Finland's total emissions in 2023, 40.6 Mt Co<sub>2</sub> eq (excl. LULUCF), is **43% less than in 1990**
- Over past five years, rate of GhG emission reductions has averaged around 4% a year
- The phasing out of fossil fuels in electricity and heat production will be accomplished in the coming years
- Most challenging: the land use sector, where additional measures are needed to strengthen carbon sinks

20  
35

# The Sustainable Development Goals (SDG) Index by UN

<u>Rank</u>	<u>Country</u>	<u>Score</u>
1	<b>Finland</b>	86.35
2	Sweden	85.70
3	Denmark	85.00
4	Germany	83.45
5	France	82.76
6	Austria	82.55
7	Norway	82.23
8	Croatia	82.19
9	UK	82.16
10	Poland	81.69

## Finland's progress on Sustainable Development Goals

Source:  
Sustainable Development Report 2023



### Dashboards:

● SDG achieved ● Challenges remain ● Significant challenges remain ● Major challenges remain

### Trends:

↑ On track or maintaining SDG achievement ↗ Moderately improving → Stagnating ↓ Decreasing







## Biodiversity in Finland

- New National Biodiversity Strategy and an action plan to 2030 currently underway
- The aim of the strategy is to halt the loss of biodiversity by 2030 and turn the trend towards recovery by 2035
- 74% of Finnish land area is **forests**
- Of the 48 000 species living in Finland, 11,9% are evaluated threatened (2019)
- Changes in the forest environment is the most significant cause of threat to species

Sources: *Environment at a Glance Indicators* ([oecd-ilibrary.org](https://oecd-ilibrary.org)),

*Red List for Finnish Species 2019*



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