



State Treasury  
Republic of Finland

# Finnish central government borrowing

March 2025

# AA+

# Aa1

## Credit ratings

The government has solicited credit ratings from two agencies: Fitch Ratings and Moody's Ratings.

For long-term debt, they are

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

(negative, stable)



# 1 Finnish economy



# Economic growth expected to gain speed this year

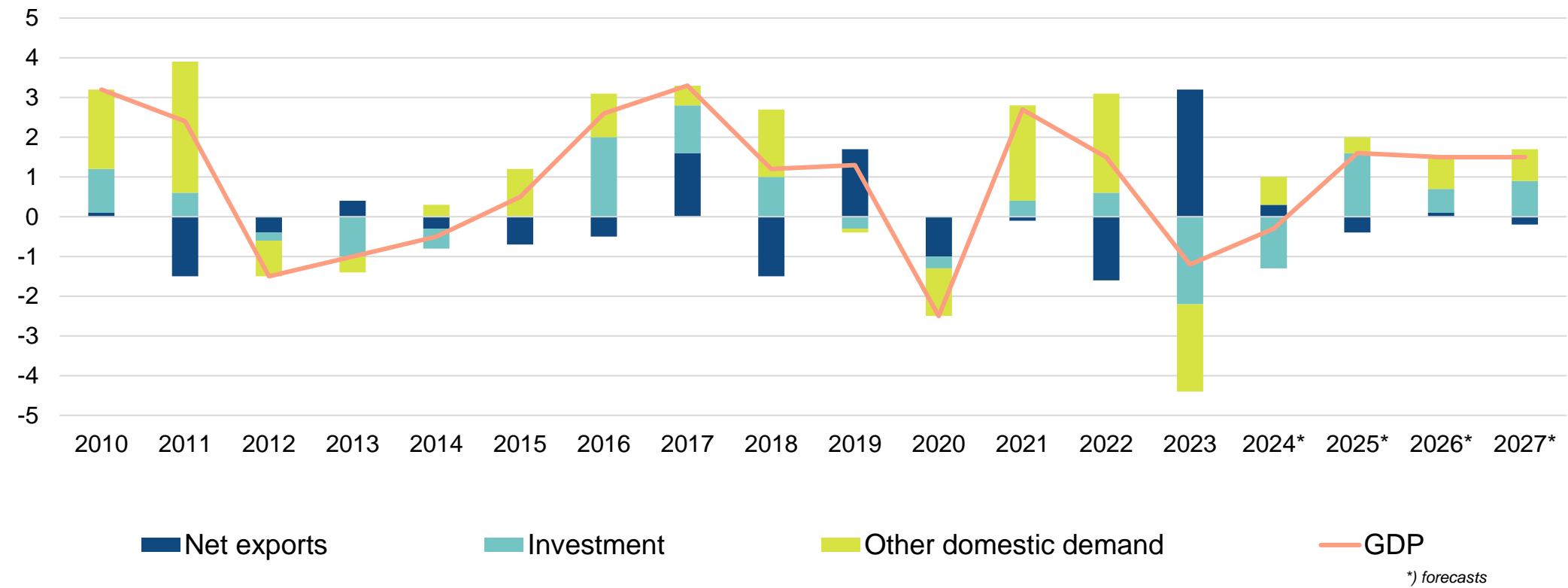
- Consumption and investments will accelerate growth as inflation slows down, interest rates fall, and real household income increases
- Falling interest rates particularly meaningful for Finland given the high proportion of variable-rate mortgages
- Growth in exports is picking up
- Turnaround in labour market expected during 2025 - employment growth will be supported by the Government's measures to boost labour supply and by higher immigration
- Despite deficits, debt ratio showing signs of stabilising by 2027

	2024*	2025*	2026*	2027*
GDP change, %	-0.2	1.6	1.5	1.5
Inflation, %	1.6	1.1	1.4	1.8
Current account, % of GDP	-0.1	-0.4	-0.3	-0.4
Private investment change, %	-8.1	5.3	4.2	4.8
Exports change, %	0.4	3.4	3.1	2.4
Unemployment rate, %	8.3	8.4	7.9	7.4
Public deficit, % of GDP	-4.2	-3.5	-2.9	-2.5
Public debt, % of GDP*	82.5	85.0	86.1	86.3

# Consumption and investments to drive GDP growth from 2025

## Contribution to GDP growth in Finland

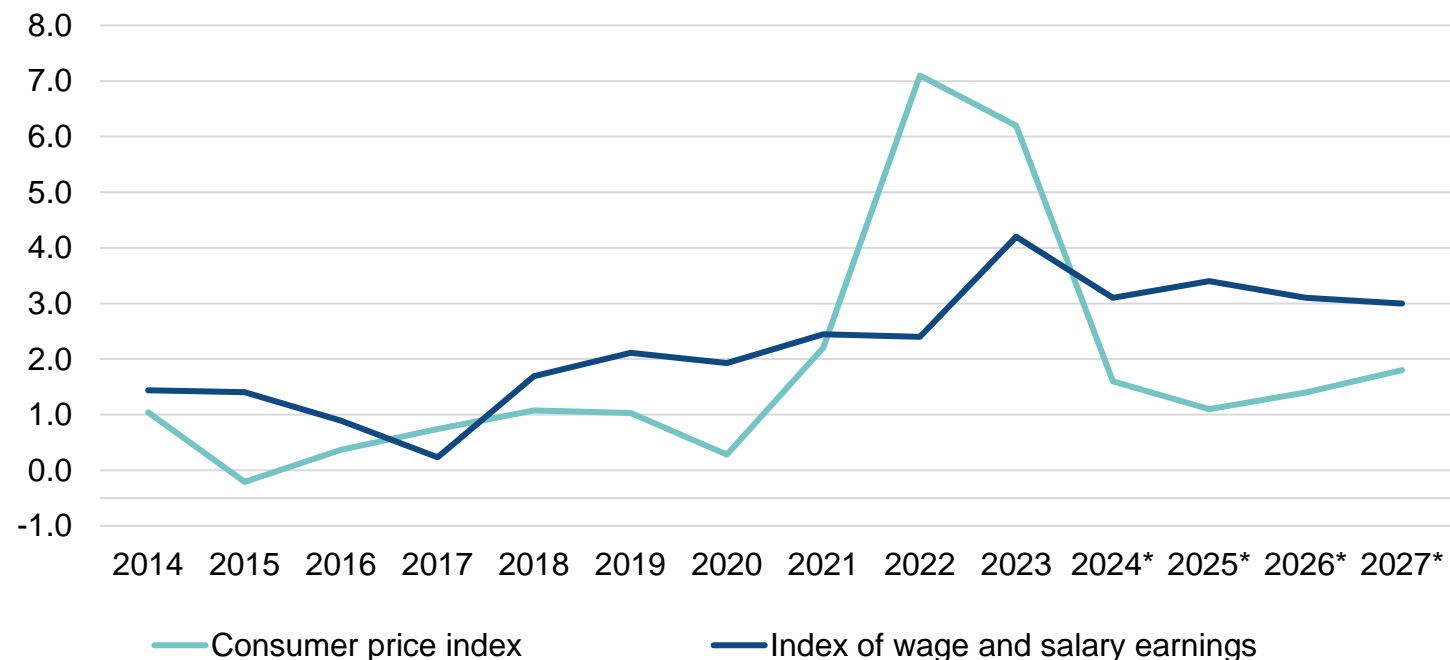
percentage points



# Inflation has slowed considerably, upward pressures on prices low

## Consumer price index and index of wage and salary earnings

change yoy, %



\*)forecasts



# Government's fiscal policy target is to stabilise the general government debt ratio by 2027

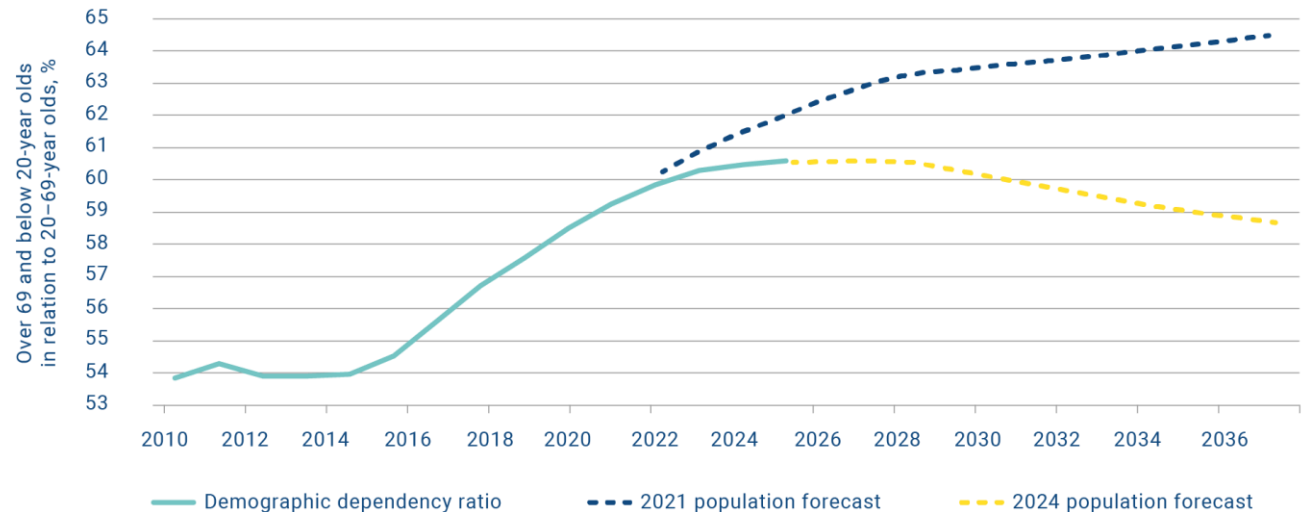
- Government committed to fiscal consolidation worth of **EUR 9bn** (EUR 6bn in government programme of 2023 + EUR 3bn of additional measures decided in spring 2024)
- Package consists of **spending cuts (EUR 5.4bn)**, **tax measures (EUR 1.6bn)** and **structural reforms (EUR 2bn)** especially in labour market and social security
- This package is already in implementation, corrective measures possible in spring 2025 if needed

# Key medium-term strenghts:

- Growth package that includes increased public R&D spending to meet total target of 4% of GDP by 2030 + other measures
- Labour market reforms, stronger-than-expected growth of net immigration
- Dependency ratio to stabilize → Reduces costs related to an aging population and improves productivity
- Competitive wage levels → Maintaining strong export performance and encouraging investments and economic growth
- Strong commitment to a green transition supported by a high share of clean energy sources in the energy mix

Dependency ratio

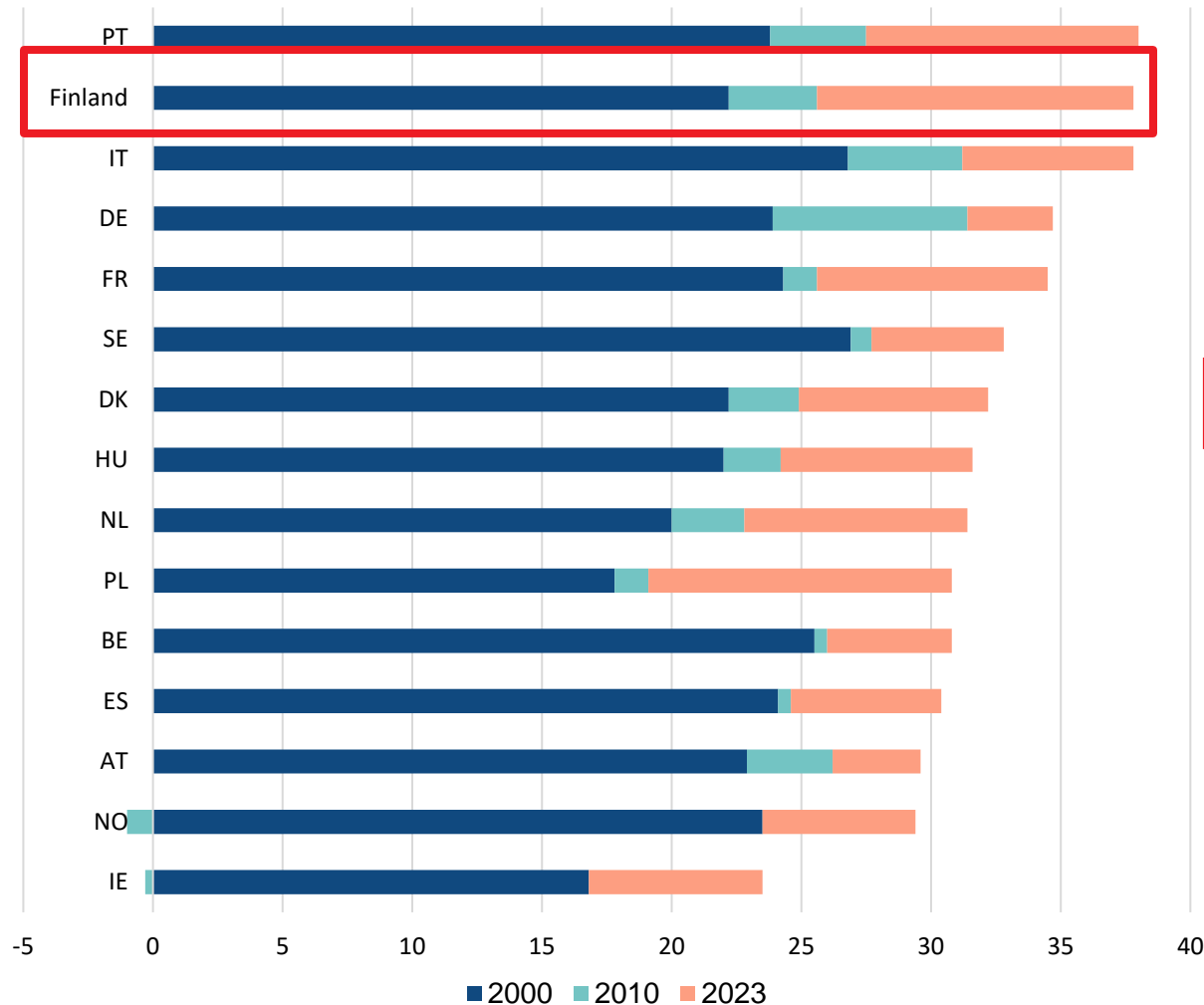
Sources: Macrobond, Statistics Finland



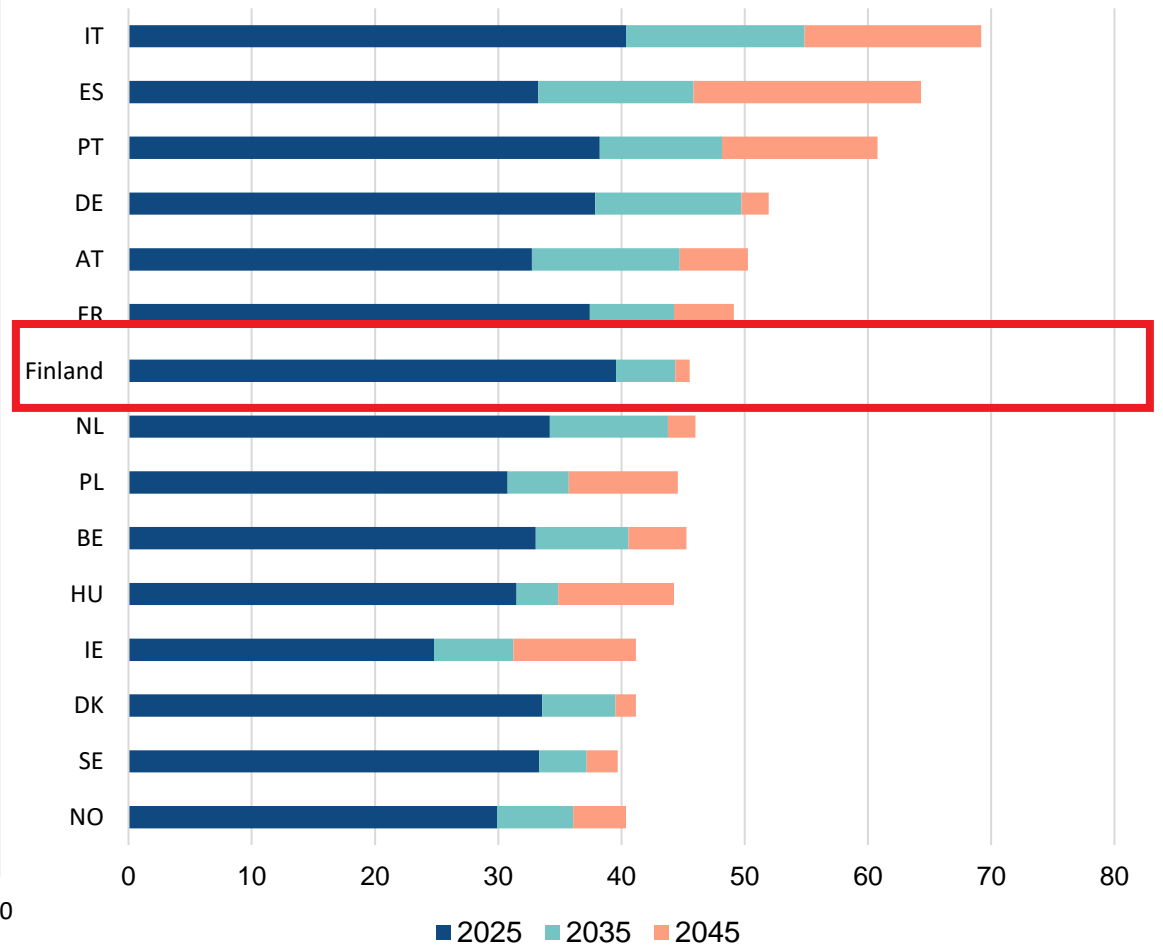


# Aging: Finland's relative position improving

Old age dependency ratios in Europe, %



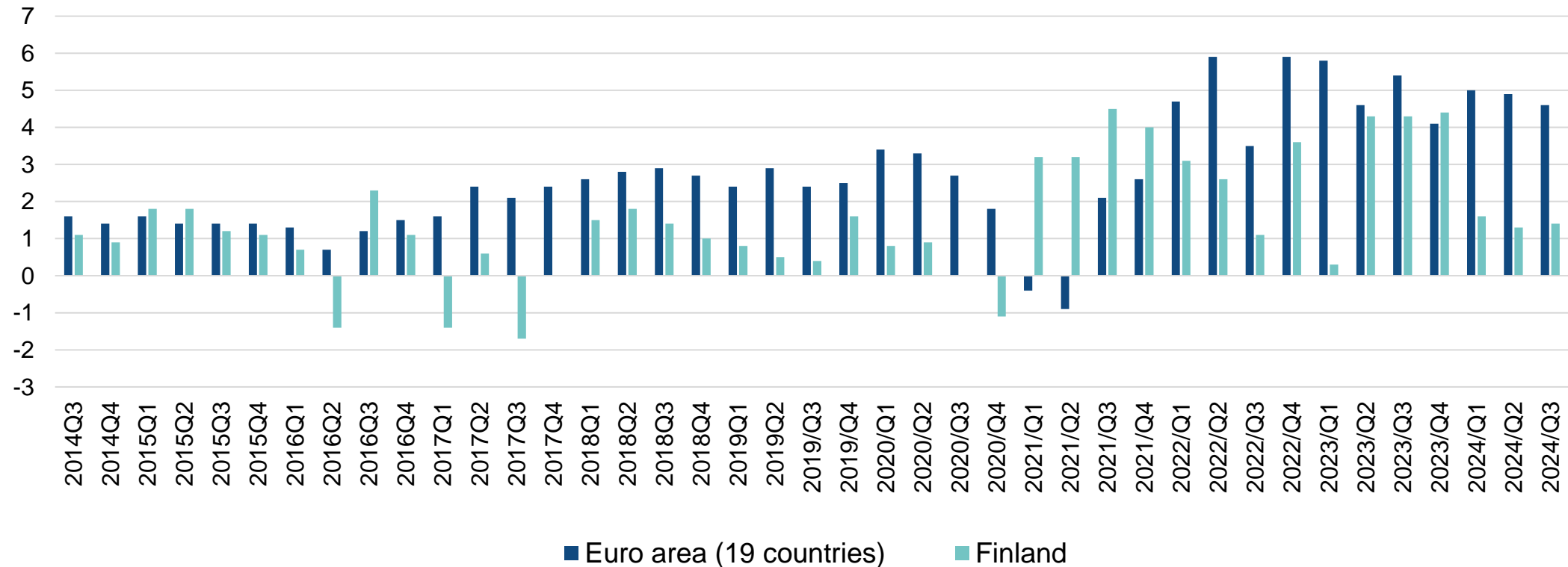
Old age dependency ratio forecasts in Europe, %



# Labour costs competitiveness is in good shape

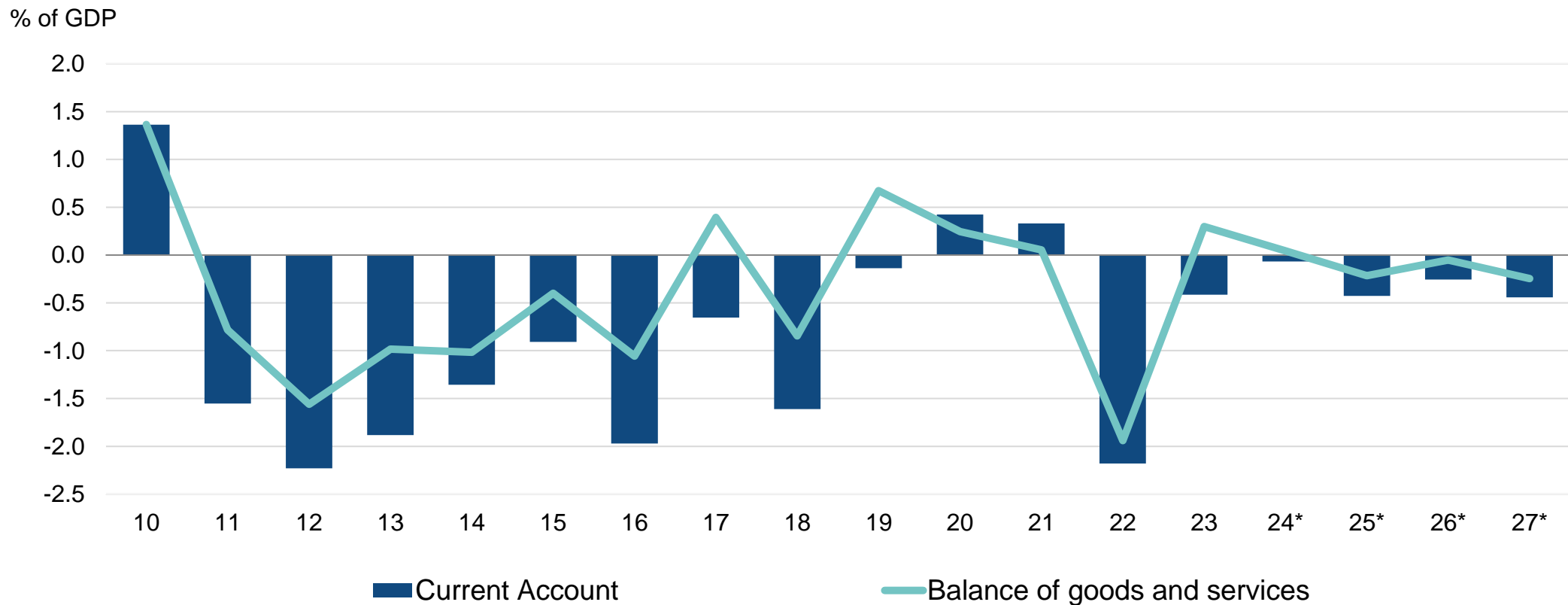
## Hourly labour cost

% change from previous year



# Improved price competitiveness has contributed to balancing the current account deficit

## Current account

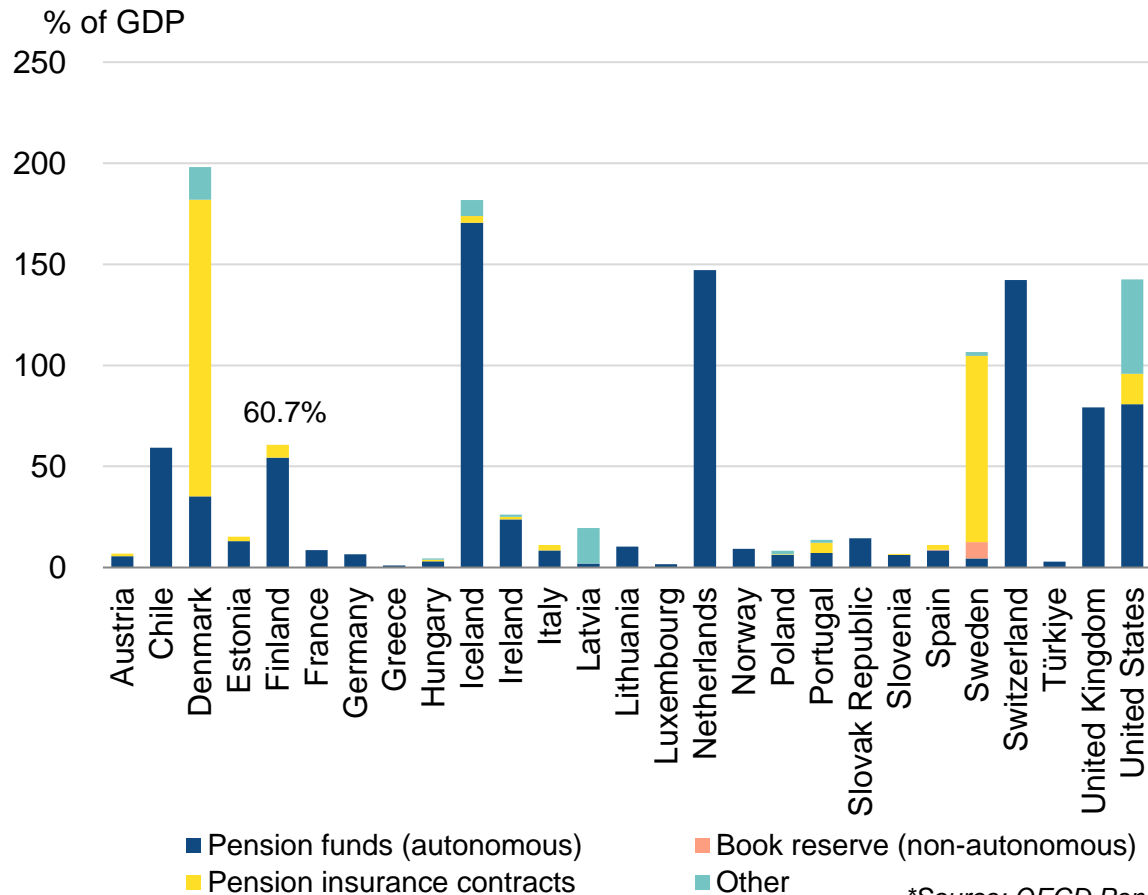


\*)forecasts

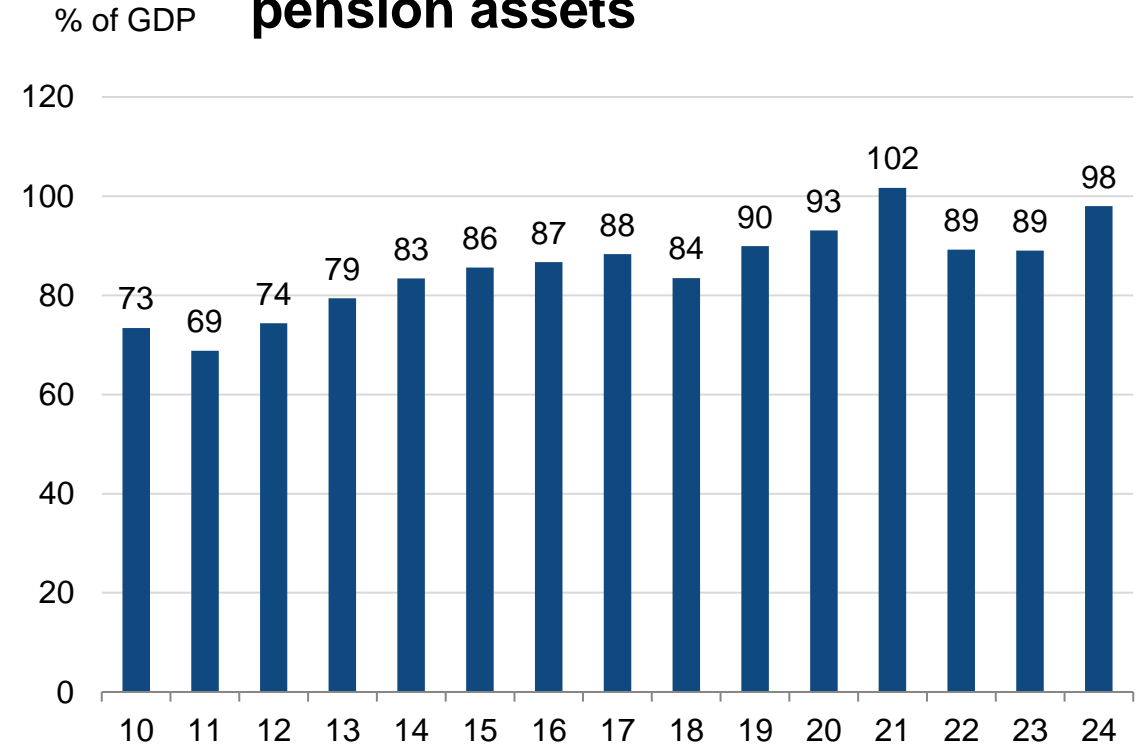


# Earnings-related pension assets as % of GDP

## Pensions assets 2023



## Finland: Earnings-related pension assets



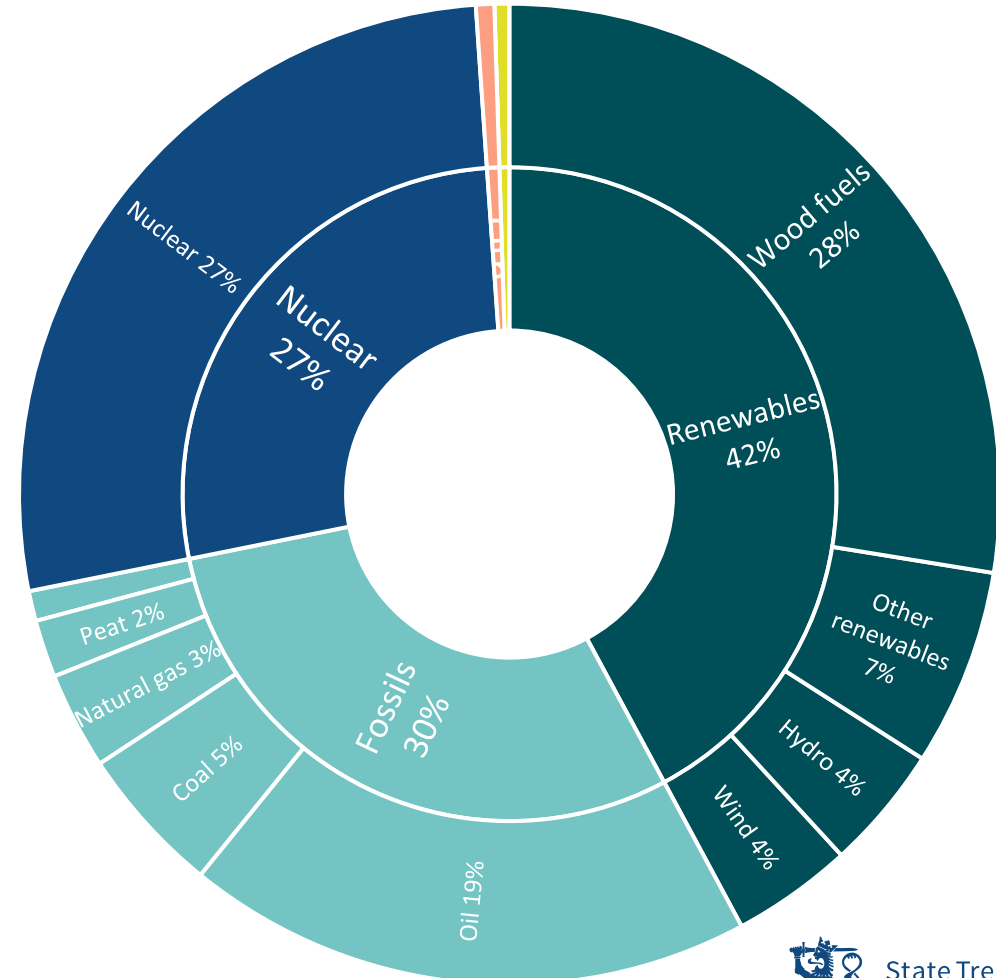
Source: Finnish Pension Alliance, Earnings related pension assets, including public sector pension assets

\*Source: OECD Pension Indicators (Pension assets, excluding public sector pension assets)

# Firmly on the path to green transition

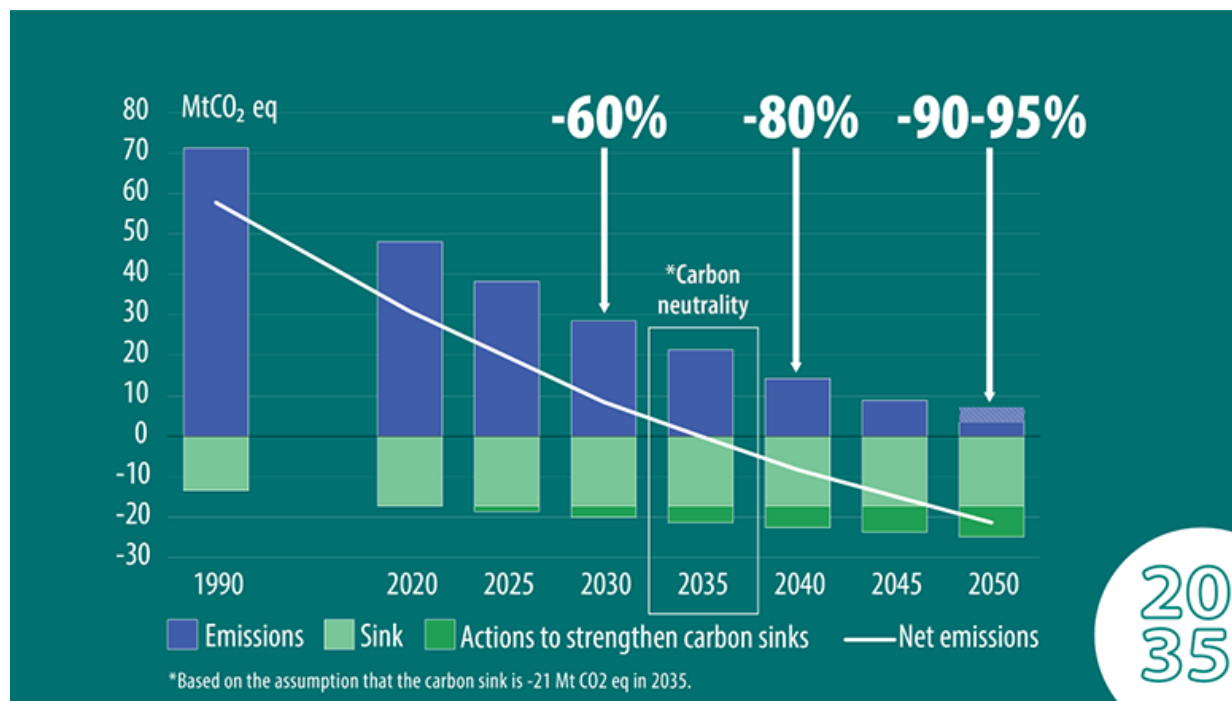
- In Finland, the share of renewables of the energy mix is at 42% the second highest in EU.
- Growth of nuclear, wind, and hydro power have accelerated Finland's energy transition.
- Consumption of fossil fuels decreased by 10% in 2023 compared to the previous year.
- Finland close to self-sufficiency in electricity production: domestic 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.

Total energy consumption by source 2023



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

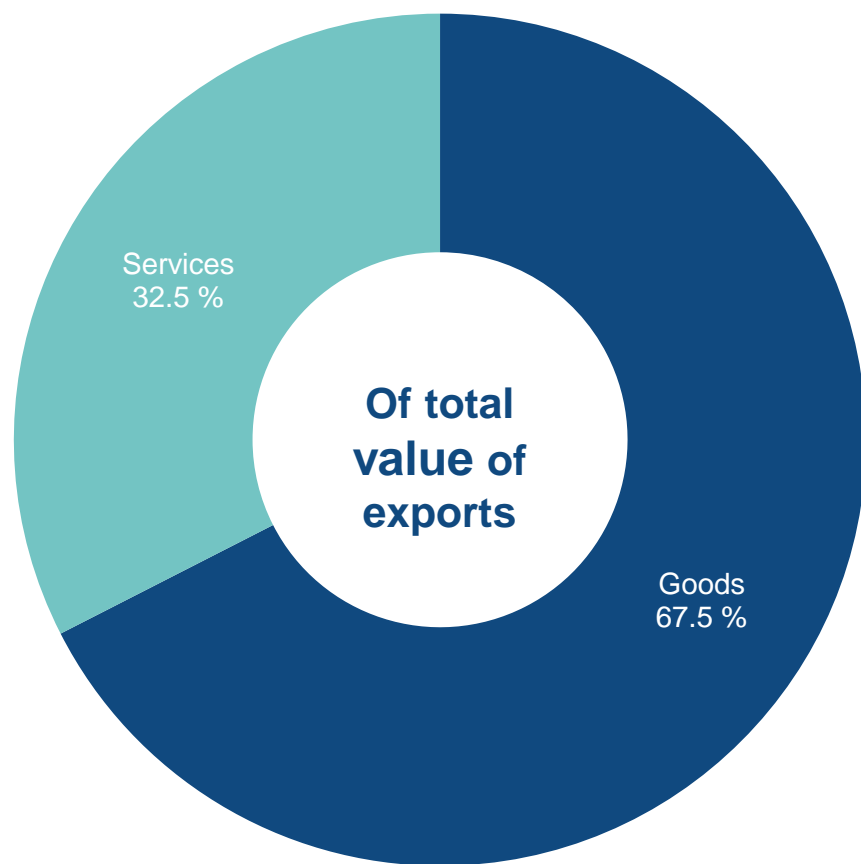
## Emissions reduction targets set in the Climate Change Act



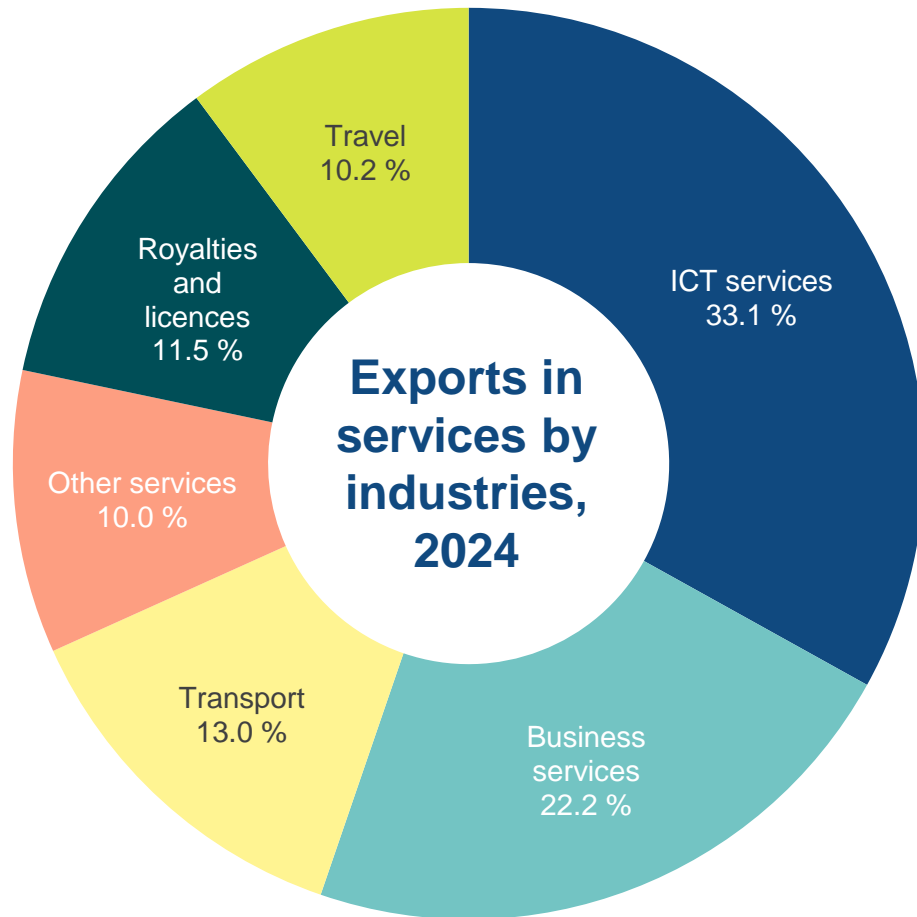
**Latest estimate:** rate of emission reductions in line with the 2030 target of climate act

- Finland's total emissions in 2023, 41.0 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 6% a year
- GhG emissions have decreased fast in energy production, where the use of fossil fuels has been replaced by nuclear, hydro and wind power
- Most challenging: the land use sector, where additional measures are needed to strengthen carbon sinks
- See also: Finland's climate performance assessed against **ASCOR framework**

# Exports account for 40% in relation to GDP – exports in services make up 1/3



# Finnish main exports in services and goods

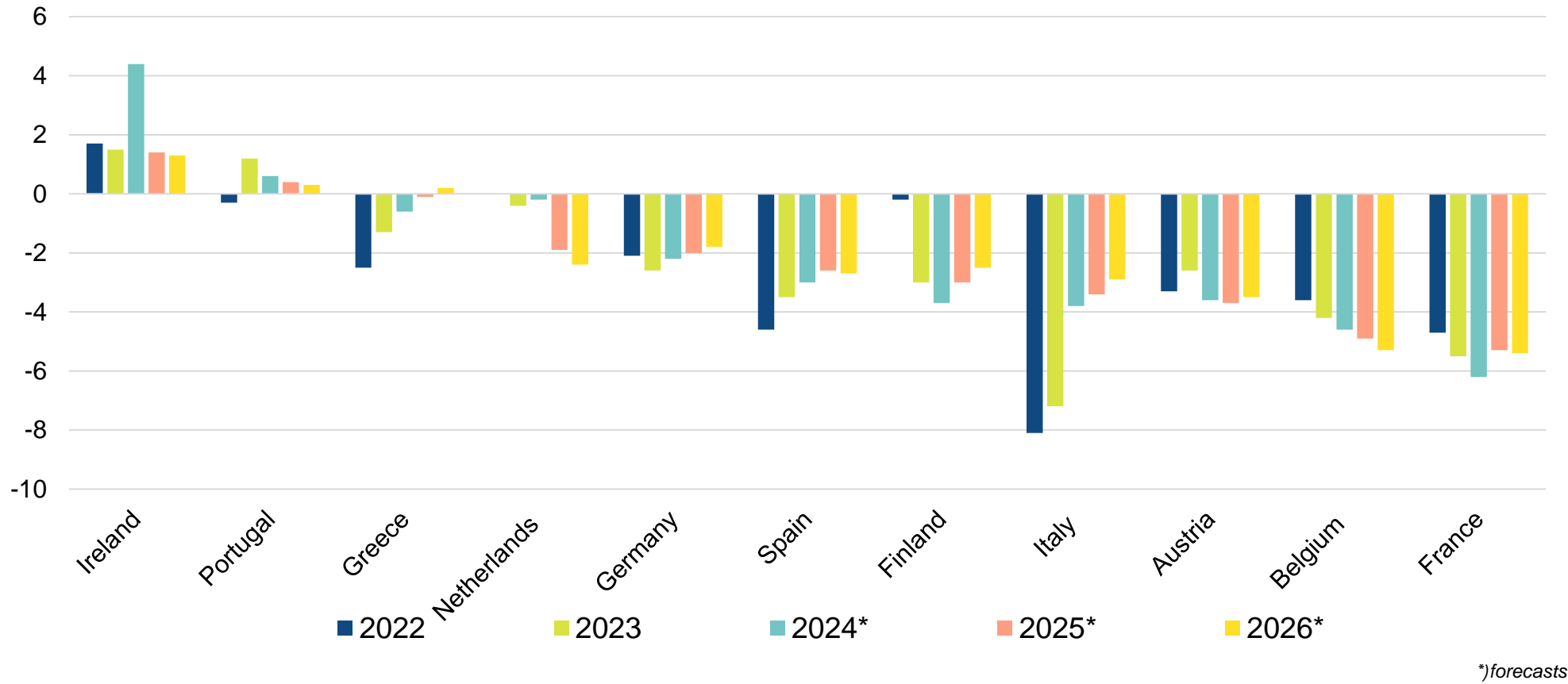




# EMU general government financial balance

## EMU general government financial balance

in ratio to GDP, %



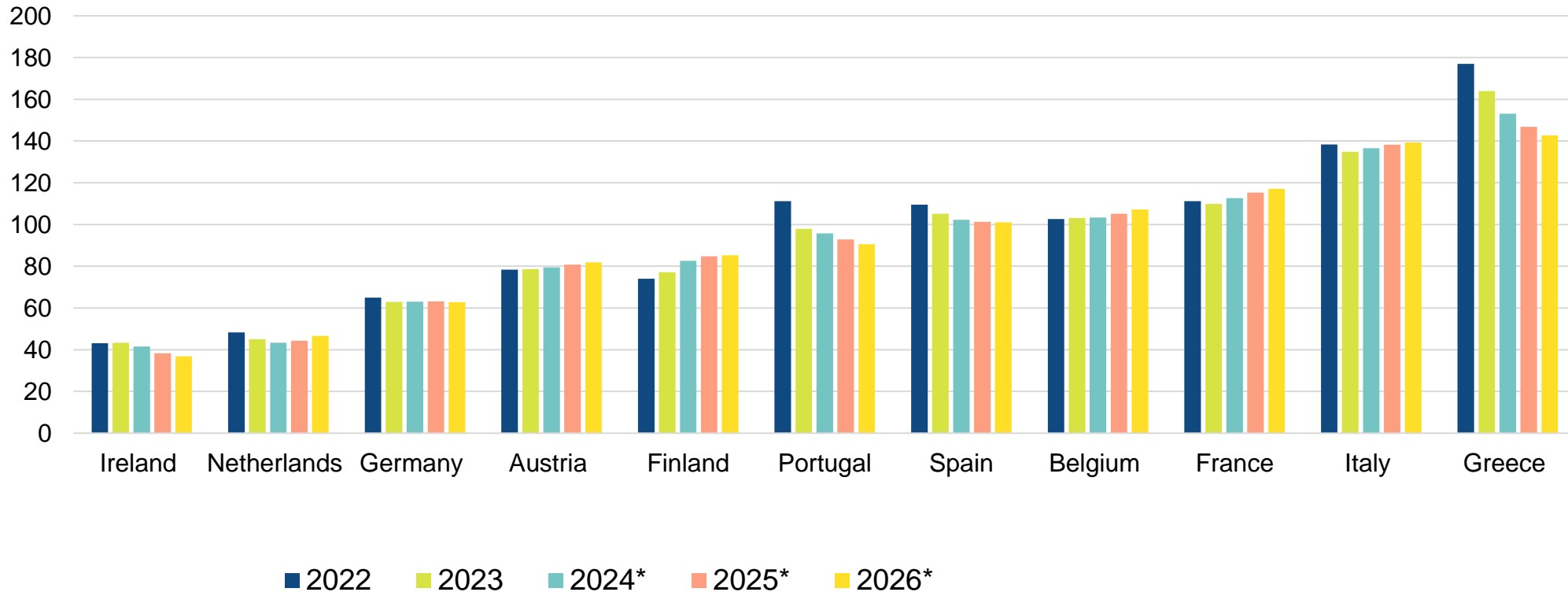
\*)forecasts

Source: European Commission, Autumn 2024  
\*)forecasts

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

## EMU General Government Gross Debt

% of GDP



\*)forecasts

Source: European Commission, Autumn 2024  
\*)forecasts



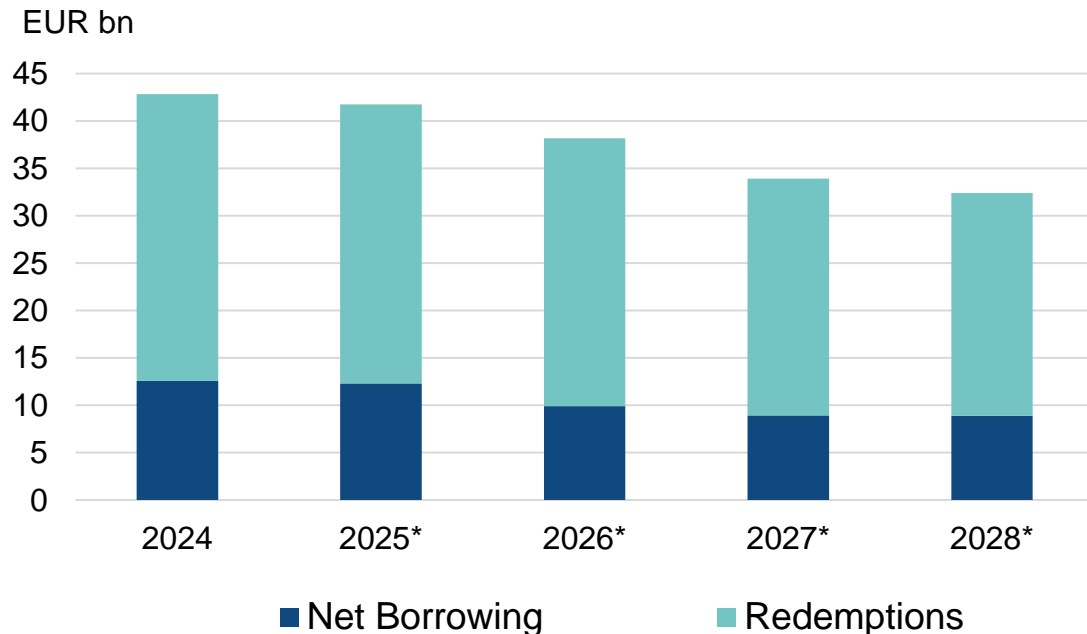


# 2 Funding

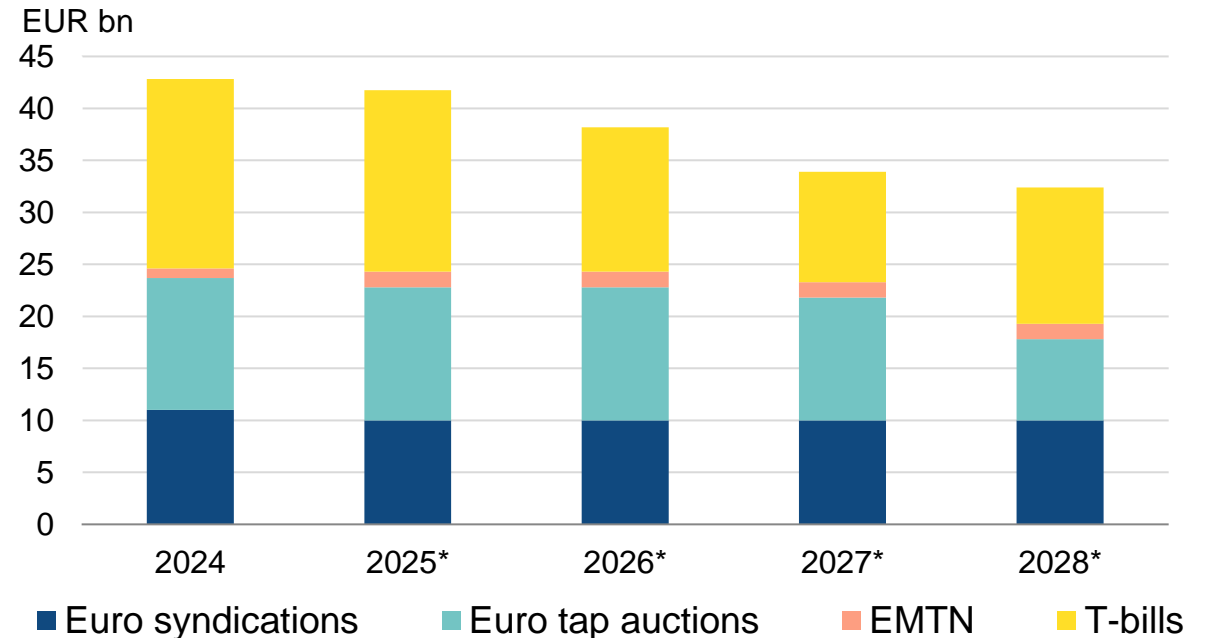


# Central government gross borrowing estimate and projected funding instrument allocation

## Central government gross borrowing



## Projected funding instrument allocation

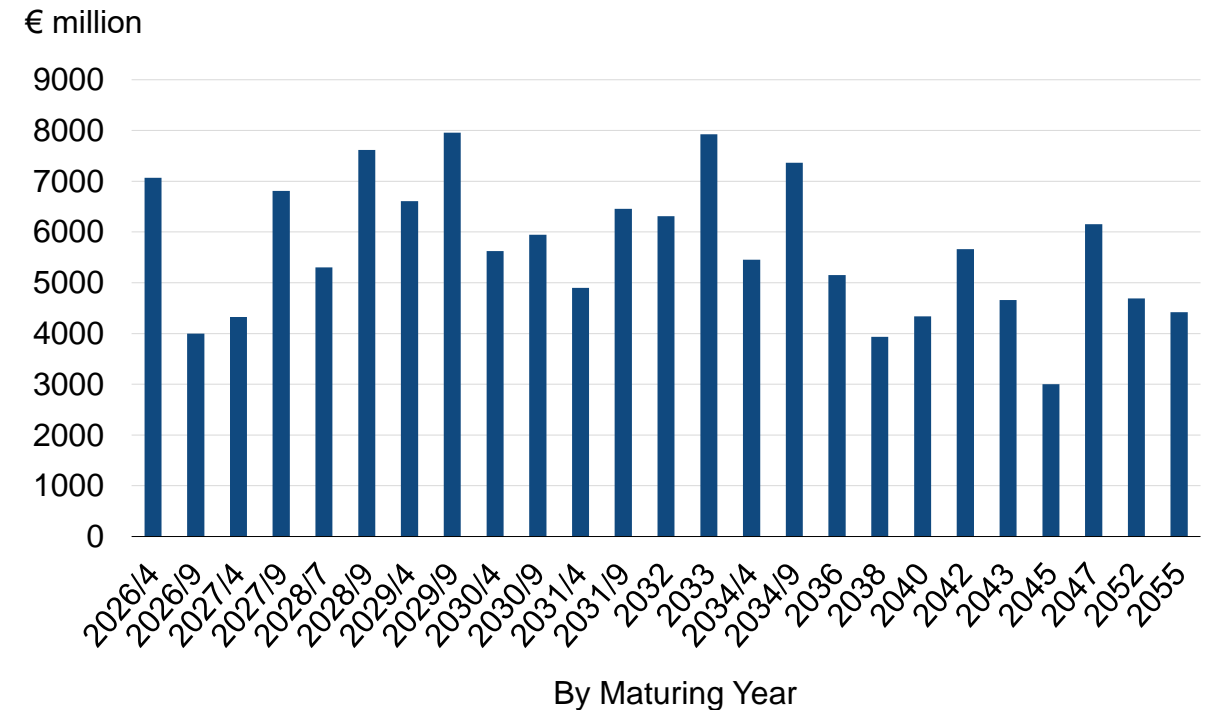


# Funding strategy

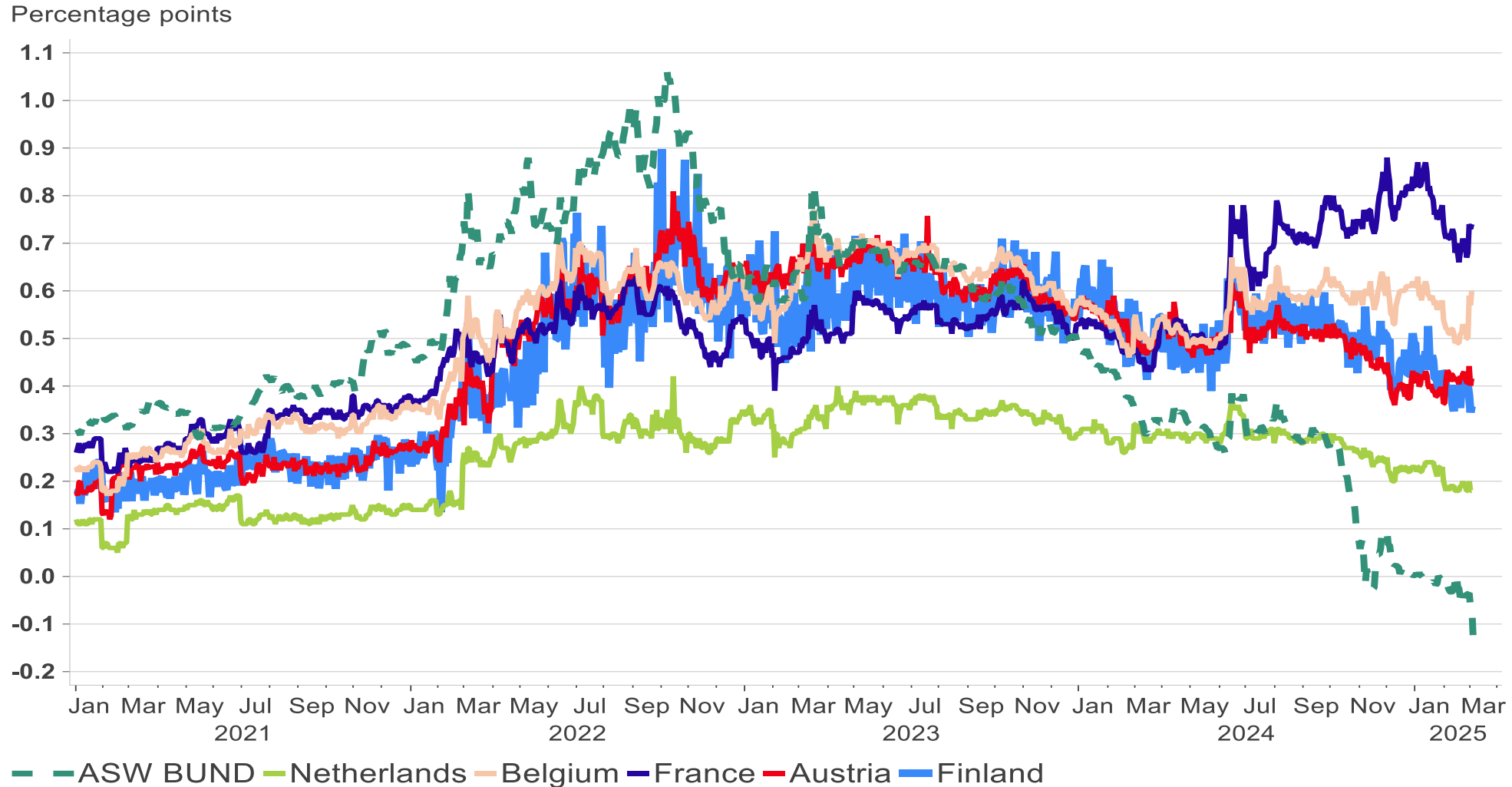
“Maintaining a globally diversified investor base by geography and investor type”

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

## Benchmark bonds outstanding



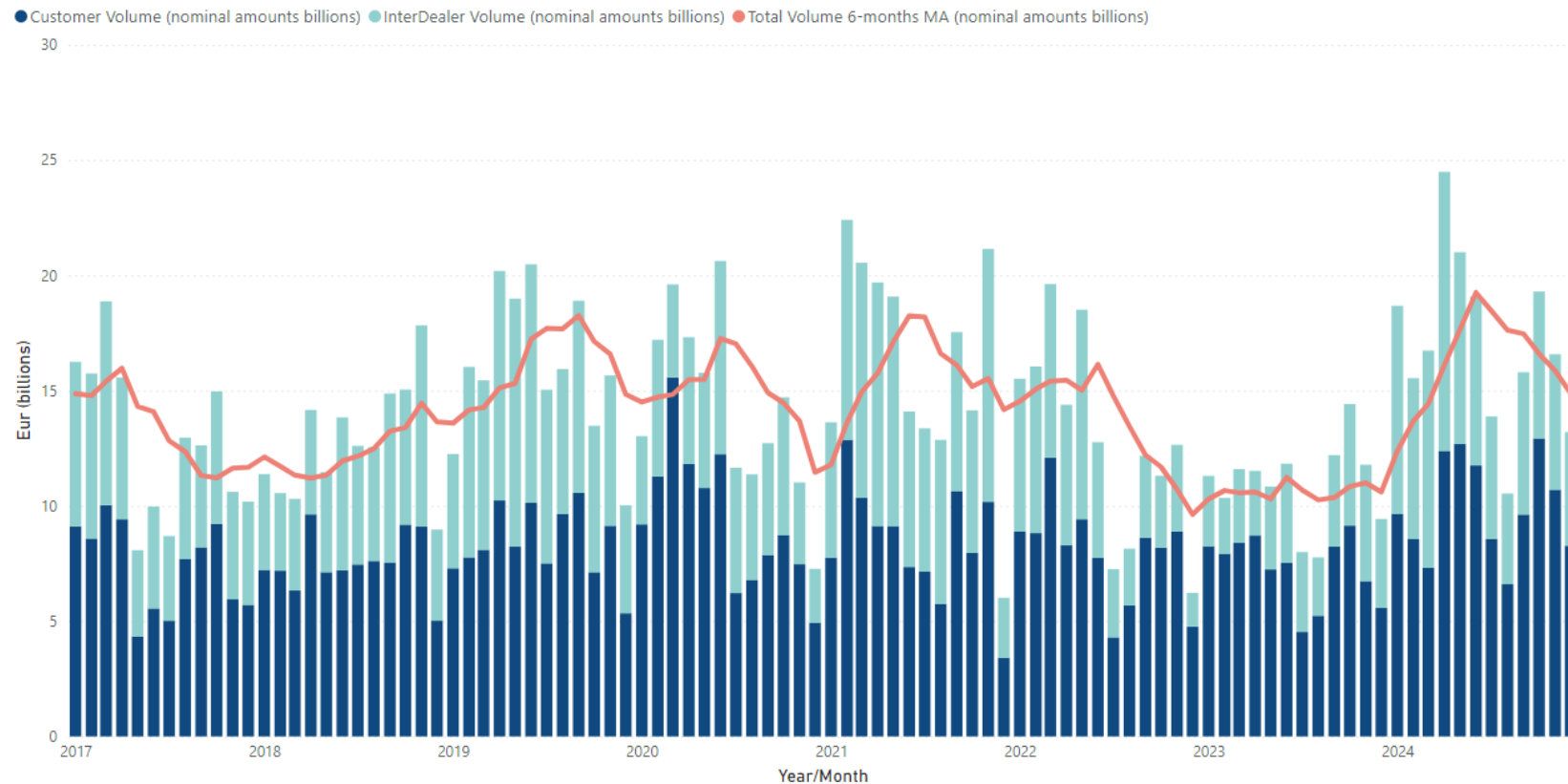
# 10-year government bond yield spreads to Germany & ASW BUND



# RFGB secondary market activity improved in 2024

Monthly secondary turnover (sales + purchases)

RFGB secondary market activity





# Primary Dealers 2025

BofA Securities

HSBC

Barclays

J.P. Morgan

BNP Paribas

Nomura

Citi

Nordea

Crédit Agricole

Société Générale

Danske Bank

Deutsche Bank

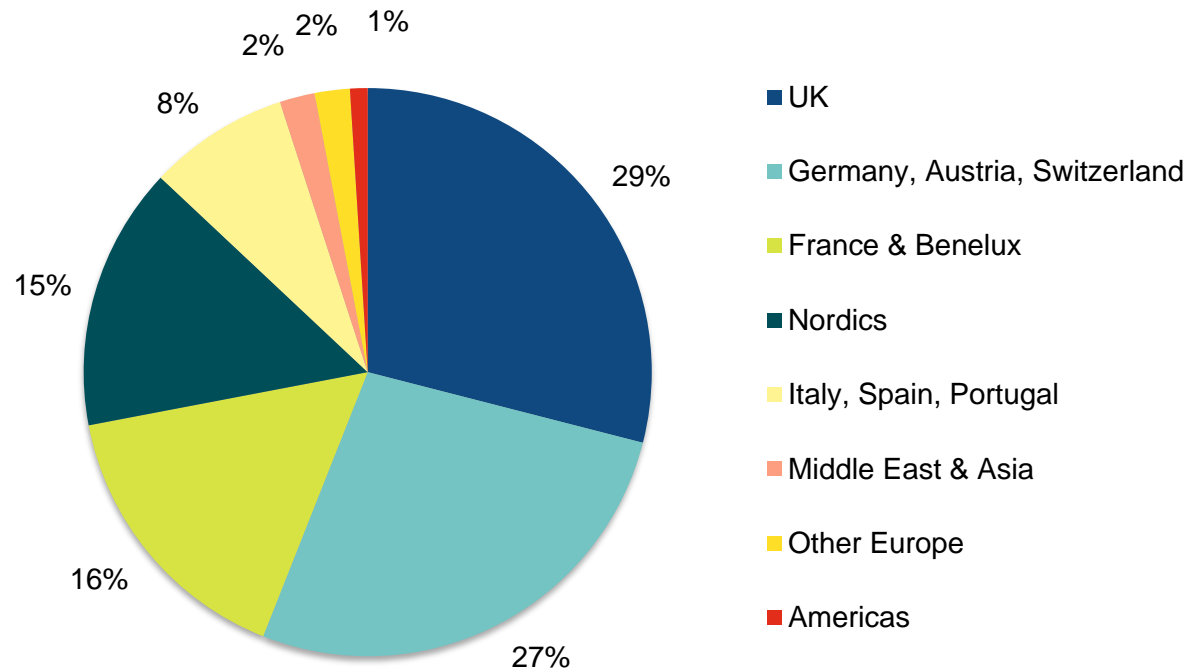
Goldman Sachs



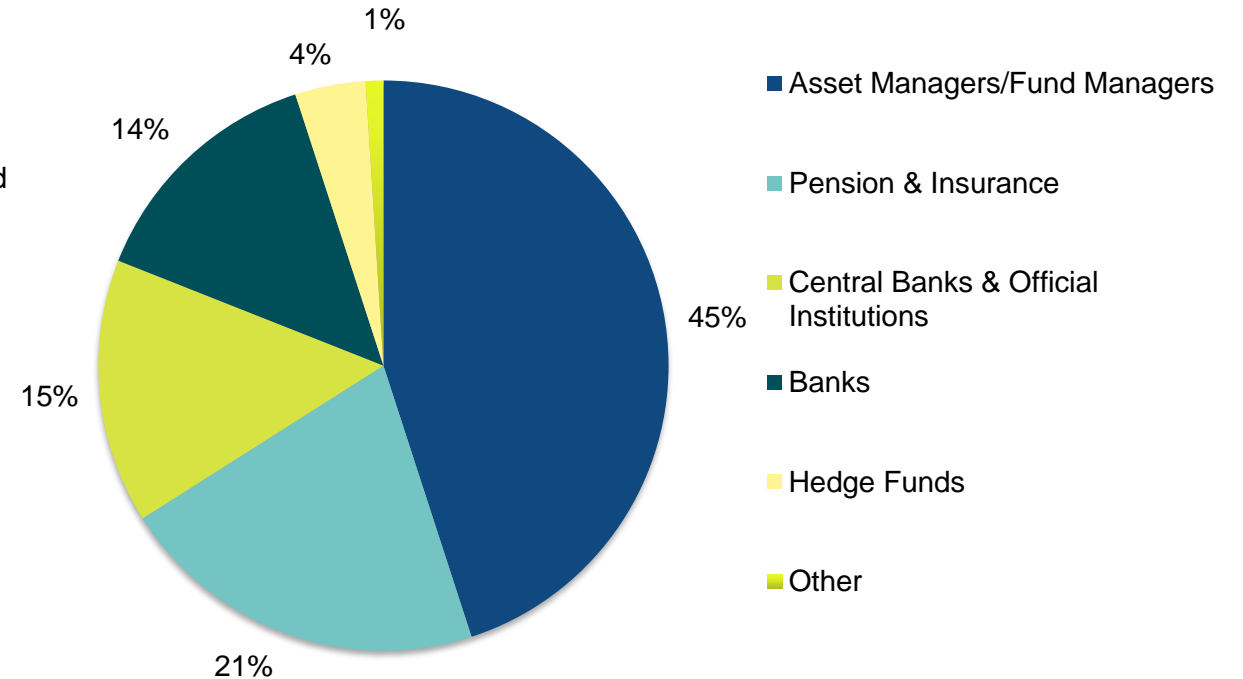
# Investor base for RFGB 3.200% EUR 3bn due 15 April 2045

- Launched in January 2025
- Allocated to over 220 investors

## Distribution of the bond by region



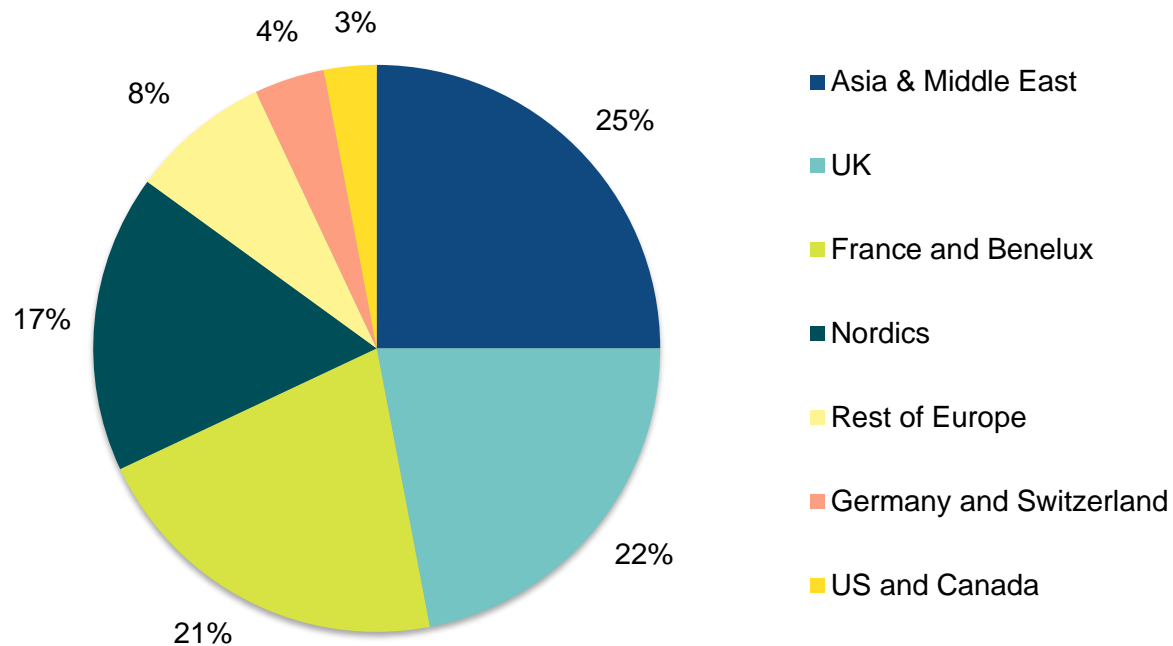
## Distribution of the bond by investor type



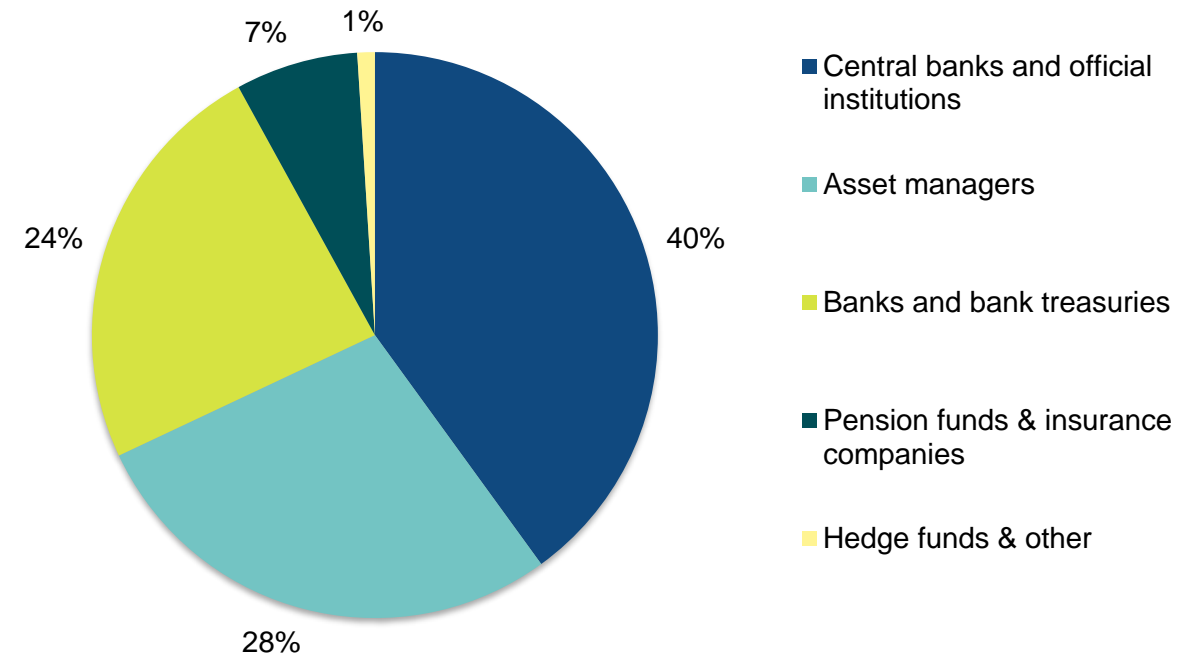
# Investor base for RFGB 2.500% EUR 4bn due April 2030

- Launched in August 2024
- Allocated to circa 80 investors

## Distribution of the bond by region



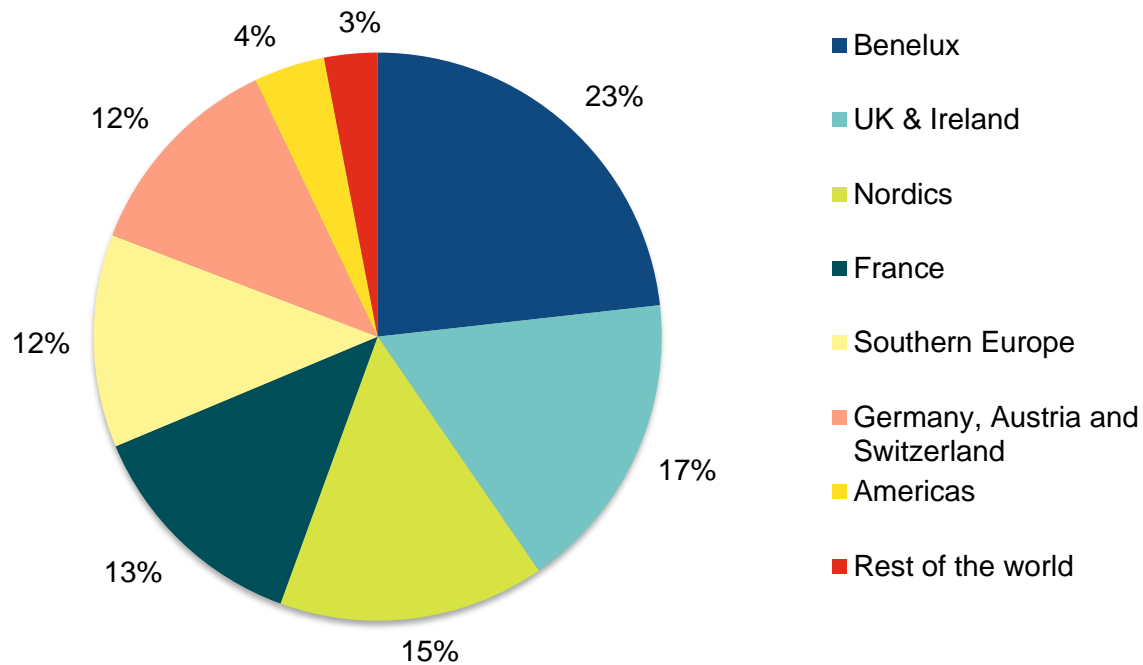
## Distribution of the bond by investor type



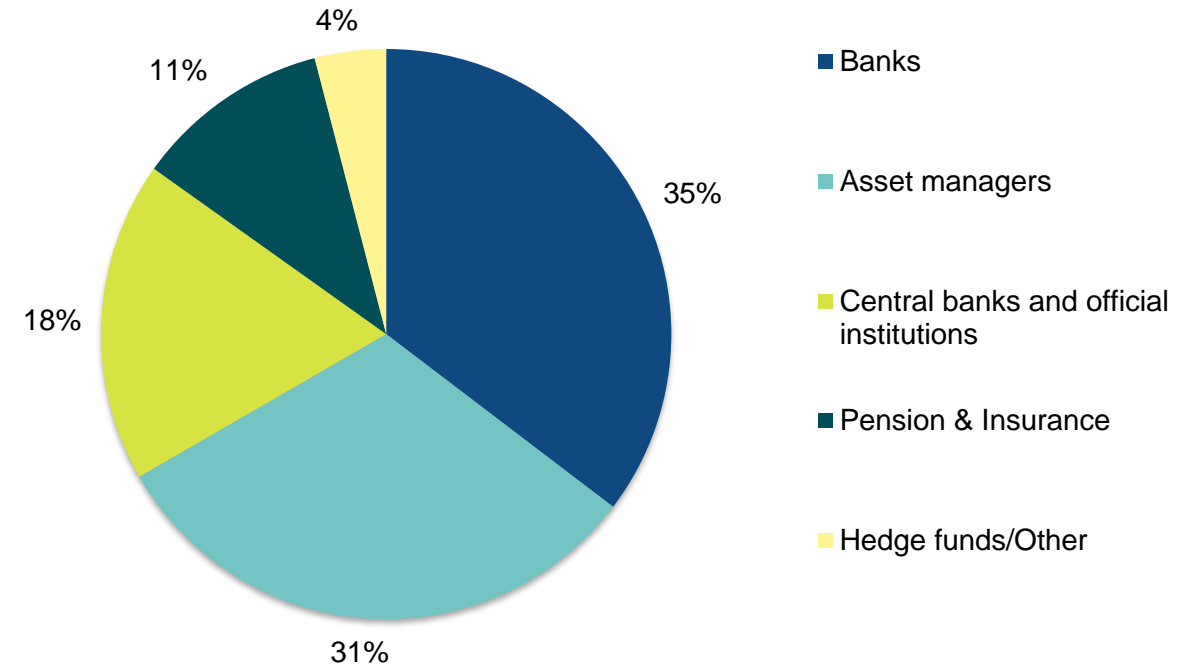
# Investor base for RFGB 3% EUR 4bn due September 2034

- Launched in April 2024
- Allocated to over 160 investors

## Distribution of the bond by region



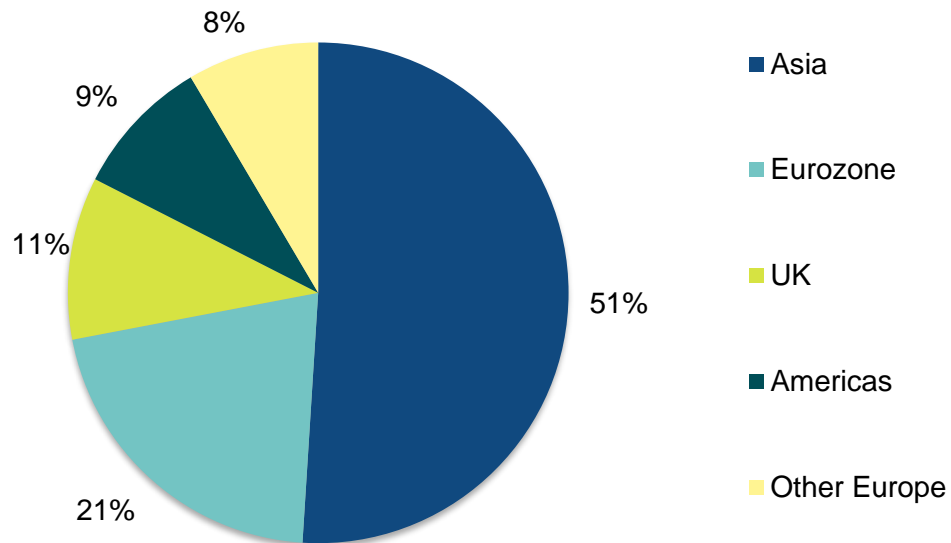
## Distribution of the bond by investor type



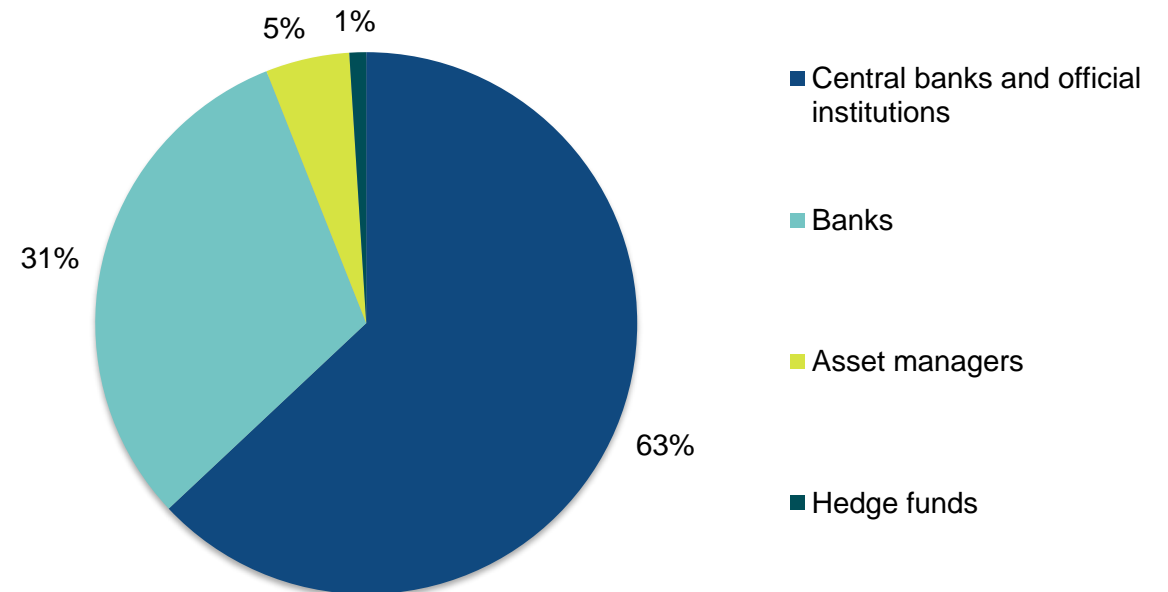
# Investor base for FINL 4.375% USD 1bn due July 2034

- 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**

# The Sustainable Development Goals (SDG) Index by UN

<u>Rank</u>	<u>Country</u>	<u>Score</u>
1	Finland	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



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