

ISSUE

Issuer: The Government of the Faroe Islands
Nominal value: DKK 1,100 Million
Expected date of issue: 02.06.2022

Descriptive information

Key figures of the Faroese economy

Outstanding Bonds	Annual Coupon	Maturity	Issued amount (DKKm)	Outstanding amount End of 2021 (DKKm)	Outstanding amount End of 2022 (DKKm)
FO-LB 220602	1,250%	2-Jun-24	1.100	0	1.100
FO-LB 230627	0,625%	27-Jun-23	550	550	550
FO-LB 220602	0,000%	2-Jun-22	1.300	1.300	0
FO-LB 250602	0,125%	2-Jun-25	1.645	1.645	1.645
NOK Bit *)	1,810%	3-May-32	448	448	448
Total Outstanding Bonds				3.943	3.743

*) NOK 550 million Bond Issue (Coupon 2,70%) swapped to DKK.

Economic growth (DKKm)	2016	2017	2018	2019	2020	est. 2021
Nominal GDP	18.882	19.610	20.081	21.801	21.202	22.941
Nominal growth (%)		3,9	2,4	8,6	-2,7	8,2

In february 2022 GDP numbers have been revised back to 1998.

Trade Balance (DKKm)	2016	2017	2018	2019	2020	2021
Trade Balance	1.492	1.516	277	1.346	249	778
Trade Balance, Ships and airplanes excl.	1.789	1.825	400	1.714	393	849

Note: Exports fob and Import cif.

Current Account (DKKm)	2016	2017	2018	2019	2020
Current Account	2.393	2.913	1.206	2.208	1.389
In % of GDP	12,7	14,9	6,0	10,1	6,6

Central Government financial assets and liabilities (DKKm)

(DKKm)	2016	2017	2018	2019	2020	2021
ASSETS						
Securities and deposits ¹⁾	2.905	3.479	3.666	3.478	4.729	3.849
Others in circulation	532	587	647	625	716	753
Financial assets	2.103	2.164	2.089	2.126	2.284	2.392
Total assets	5.540	6.230	6.402	6.229	7.729	6.994
LIABILITIES						
Long-term debt (Denmark)	500	500	0	0	0	0
Bond loan	4.635	4.644	4.608	3.817	5.419	4.039
Other debt	917	988	1.027	1.049	1.061	1.279
Total debt²⁾	6.052	6.132	5.635	4.866	6.480	5.318
Net assets	-512	98	767	1.363	1.249	1.676

Source: Føroya Gjaldstova

1) Including liquidity for appropriations transferred from previous years.

2) Including DKK 500 million to Danish Government. The loan is written off in June 2018.

Central Government Accounts (DKKm)	Realized 2018	Realized 2019	Realized 2020	Realized 2021	Budget 2022¹⁾
Taxes, direct	2.876	2.971	2.981	3.058	3.208
Taxes, indirect	2.457	2.608	2.753	2.939	2.895
Transfers from Denmark	696	698	693	700	694
Sales of goods and services	727	778	865	950	796
Revenue from fees	569	642	510	675	645
Other	41	46	36	41	41
Operating revenues, ex. interest	7.366	7.743	7.838	8.363	8.279
Personel cost	-2.392	-2.518	-2.603	-2.791	-2.990
Transfers to individuals	-1.792	-1.880	-2.107	-2.143	-2.219
Other transfers	-563	-516	-694	-585	-550
Purchase of goods and services	-1.468	-1.533	-1.728	-1.904	-1.693
Other expenses	-485	-515	-577	-587	-525
Operating expenses, ex. interest	-6.700	-6.962	-7.709	-8.010	-7.977
Primary Operating Balance	666	812	129	353	302
Interest income and dividends	-1	274	122	408	134
Interest expenses	-24	-55	-44	9	-20
Operating Balance	641	1.031	207	770	416
Sale of fixed assets	22	14	11	23	17
Sales of shares					86
Repayments of loans, domestic	41	16	214	541	15
Capital revenues from Denmark	500				
Total capital revenues	563	30	225	564	118
Construction of fixed capital ²⁾	-427	-437	-503	-438	-347
Acquisition of fixed capital	-41	-18	-15	-14	-65
Injection of cap. into publ. Ltd.'s	-35	-35	-165	-573	-55
Net lending, domestic	-8	-8	-7	-6	-8
Total capital expenses	-511	-498	-690	-1.031	-475
Budget surplus/deficit	693	563	-258	303	59
Debt repayment	-10	-800	-1.345	-1.600	-1.300
Gross financing surplus/deficit	683	-237	-1.603	-1.297	-1.241
New borrowing	-	-	2.945	-	1.100
Net financing surplus/deficit	683	-237	1.342	-1.297	-141

1) Government Budget Act as approved by the parliament in December 2021.

2) At the beginning of the fiscal year 2022, appropriations transferred from previous years are estimated to DKK 255 m.

Population and labour force	2016	2017	2018	2019	2020	2021
Population by end of year	49.823	50.481	51.300	52.116	52.896	53.653
Labour force (15-74)	29.610	29.885	31.028	31.607	31.793	31.968
Unemployment rate in % (Oct.)	2,6	2,1	1,2	0,9	1,3	0,9

Consumer Price Index	2016	2017	2018	2019	2020	2021
CPI in % (average infl. rate)	-0,3	1,1	1,2	1,3	0,3	2,7

Comments

Political status:

The Faroe Islands are a self governing area within the Kingdom of Denmark.
The Faroe Islands are in monetary union with Denmark.

Credit rating:

March 4th 2008 Moody's Investors Service assigned The Faroese Government a first time rating of Aa2 and stable outlook.
April 18th 2011 Moody's downgraded the long-term issuer rating of the Faroese Government to Aa3 with negative outlook
July 31st 2015 Moody's restated the rating Aa3, but changed the outlook to neutral.
August 16th 2019 Moody's upgraded the long-term issuer rating of the Faroese Government to Aa2 with stable outlook

Government reserve liquidity:

According to Faroese parliament act, the Faroese Government always holds a reserve liquidity of 15% of GDP.
The Government can draw on the reserve liquidity, but in case it uses this possibility, it is expected to restore the reserve liquidity within reasonable time.

