

Increased borrowing as government budget shows deficit

Central Government Borrowing – Forecast and
Analysis 2023:1

Press conference, 23 February 2023





Key points in the report

Macro picture

- Slowdown in the economy

Budget balance

- Budget surplus turns to deficit

Borrowing

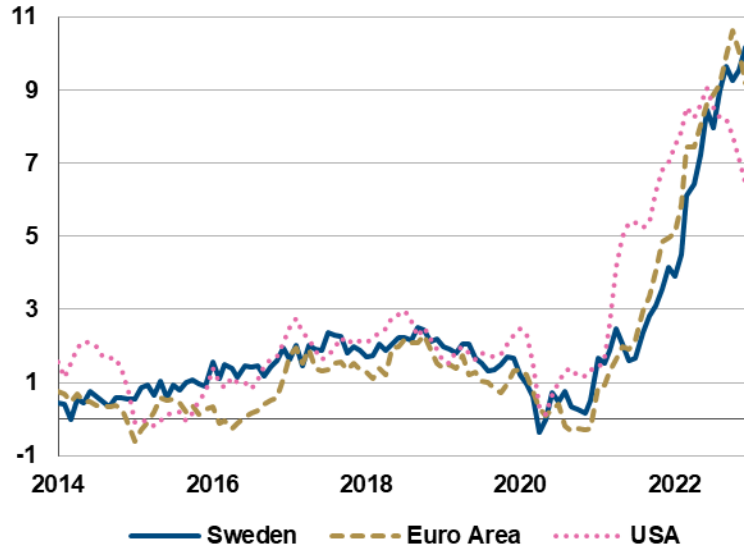
- Shift to deficit increases borrowing need



High inflation and rising interest rates

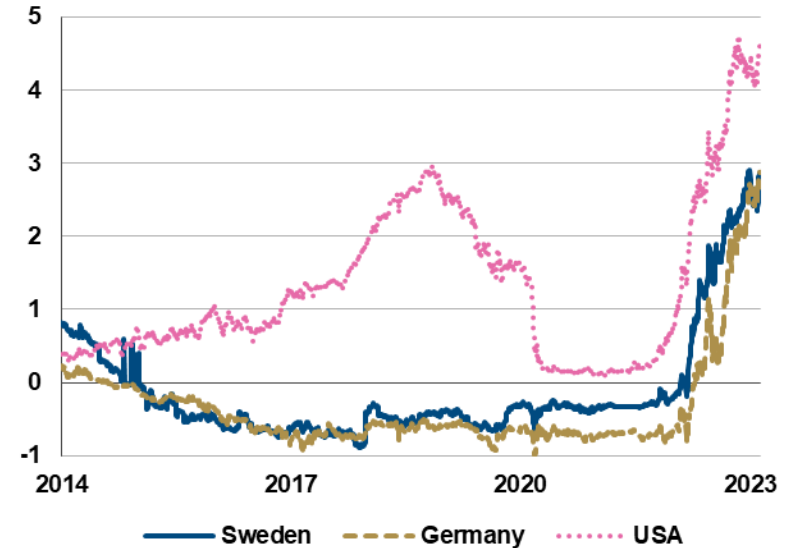
Inflation in different countries and regions

Year-on-year percentage change



Yields on 2-year government bonds

Per cent



Note: CPIF for Sweden, CPI for the US and HICP for the euro area

Sources: Statistics Sweden, Eurostat and BLS

Source: Macrobond

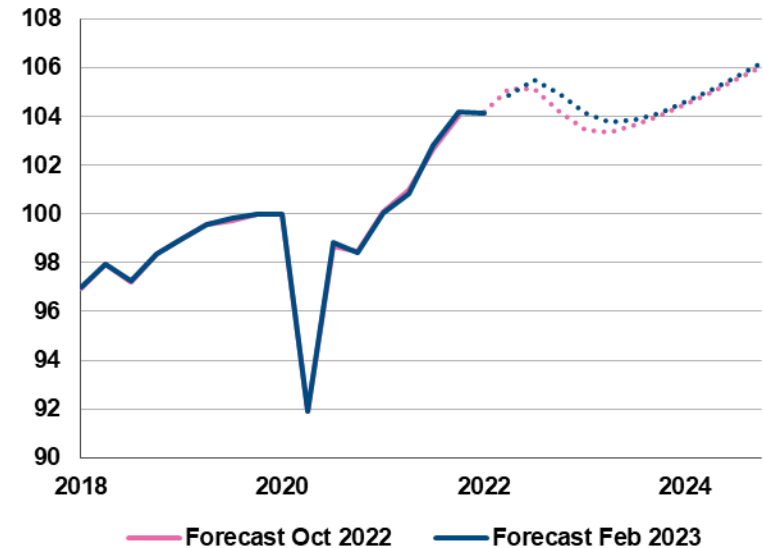


Slowdown in Swedish economy

- GDP falls in 2023
- Consumption and investment are the biggest contributors to the drop in GDP

GDP for Sweden by level

Index 2019:4 = 100, constant prices



Note: Dotted lines are forecasts.

Sources: Macrobond and the Debt Office

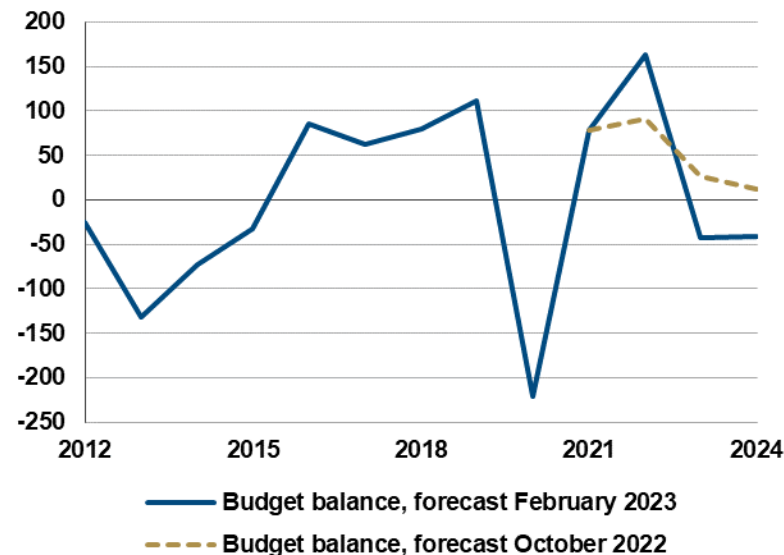


Budget surplus turns to deficit

- Electricity price support puts downward pressure on the budget balance
- Lower income from taxes and decrease in capital placements in tax accounts

Budget balance

SEK billion



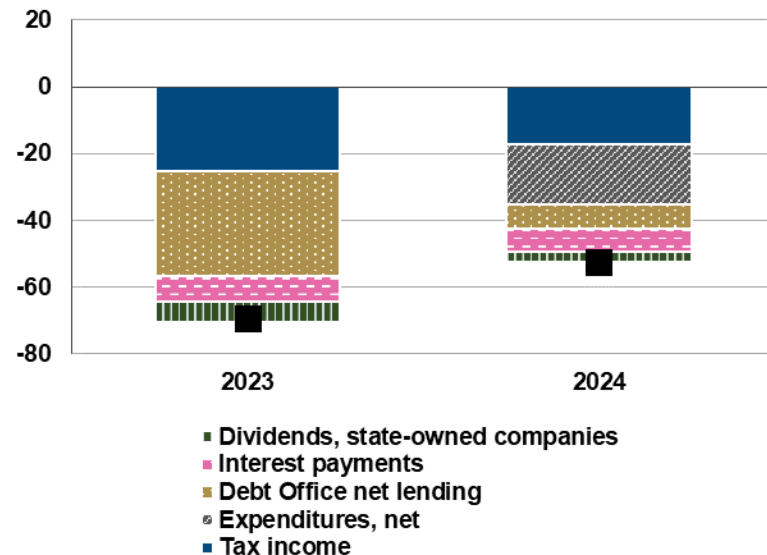


Budget balance revised down

- Lower inflow of electricity congestion revenue
- Lower income from taxes while expenditure increases
- Higher interest payments on central government debt

Forecast changes, budget balance

SEK billion





Various factors of uncertainty

- War in Ukraine
- Inflation
- Capital placements in tax accounts
- Measures linked to high electricity prices
- Capital contribution the Riksbank

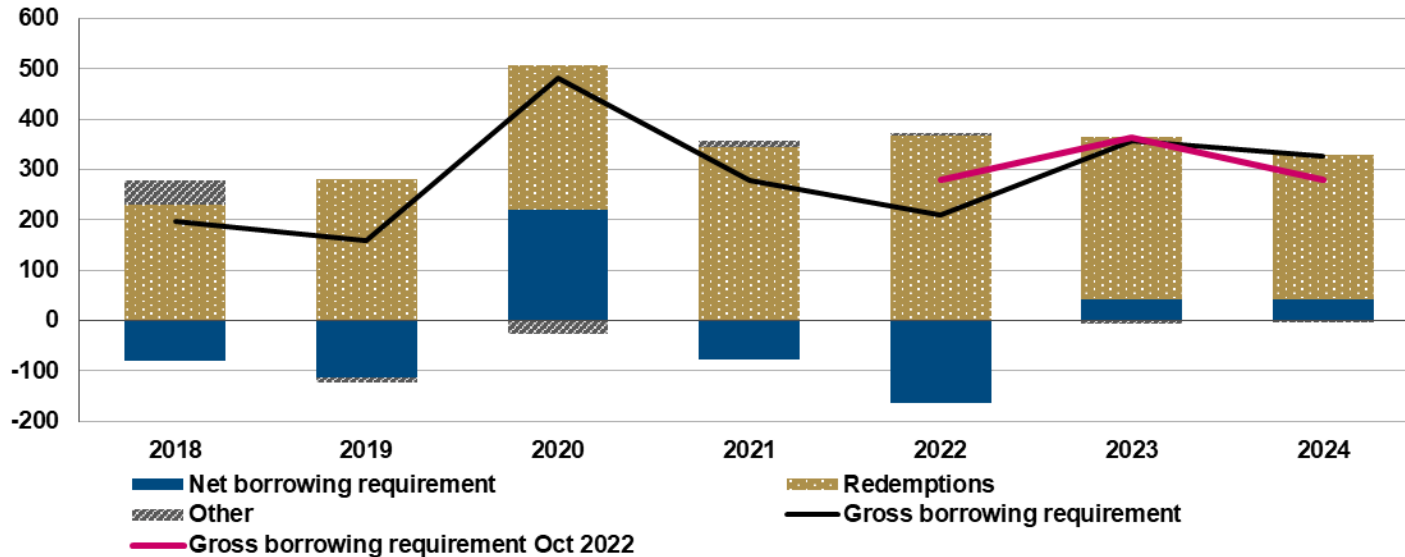




Shift to deficit increases borrowing need

Total borrowing requirement

SEK billion



Note: The net borrowing requirement is the budget balance with the opposite sign. The post "Other" includes an adjustment due to the net borrowing requirement being reported by settlement date whereas borrowing is reported by trade date.



Issuance plan – how much and how

- Fiscal policy framework
- Budget Act:
 - Borrowing requirement = budget deficit + redemptions
 - The objective is to minimise the cost over the long term while taking account of risk
- Government decision:
 - Guidelines for debt management (after proposal from Debt Office)
- Debt Office decision:
 - Borrowing strategies and policies
 - Issuance plan – divided among nominal government bonds, inflation-linked bonds, green bonds, foreign-currency bonds, treasury bills, liquidity management, derivatives



Both short- and long-term funding rise

Central government borrowing

SEK billion

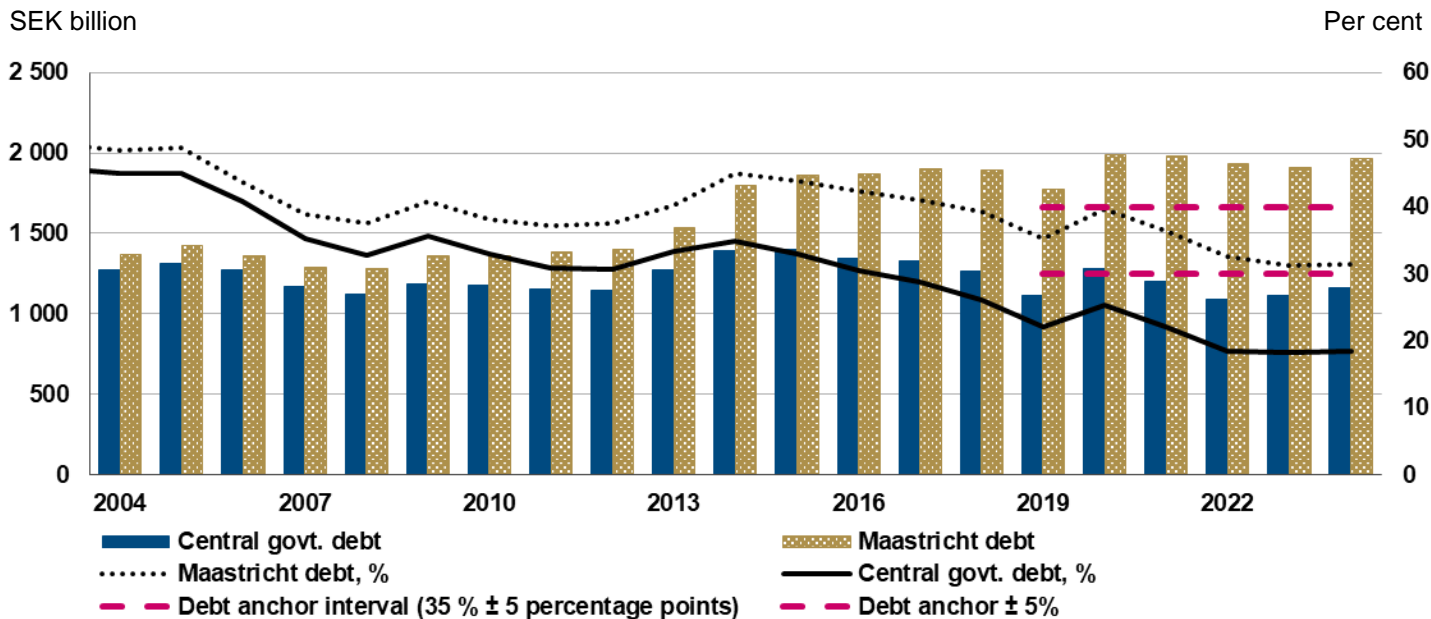
| | 2022 | | 2023 | | 2024 | |
|-------------------------------|------------|--------------|------------|--------------|------------|--------------|
| | Outcome | (Oct) | Feb | (Oct) | Feb | (Oct) |
| Money market funding | 154 | (226) | 288 | (293) | 267 | (231) |
| T-bills | 65 | (83) | 158 | (158) | 178 | (140) |
| Liquidity management | 89 | (143) | 131 | (135) | 90 | (91) |
| Capital market funding | 55 | (55) | 69 | (71) | 59 | (49) |
| Nominal government bonds | 46 | (46) | 40 | (40) | 50 | (40) |
| Inflation-linked bonds | 9 | (9) | 9 | (9) | 9 | (9) |
| Green bonds | 0 | (0) | 0 | (0) | 0 | (0) |
| Foreign currency bonds | 0 | (0) | 21 | (22) | 0 | (0) |
| Total borrowing | 209 | (280) | 358 | (363) | 326 | (279) |

Note: Borrowing per calendar year. Funding in the money market refers to the outstanding stock at year-end. Previous forecast in parentheses.



Sweden's government debt remains low

Central government and general government (Maastricht) debt



Note: For the years 2022–2024 the shares are based on the Debt Office's GDP forecast. The same applies to the Maastricht debt. Outcome data is from Statistics Sweden.

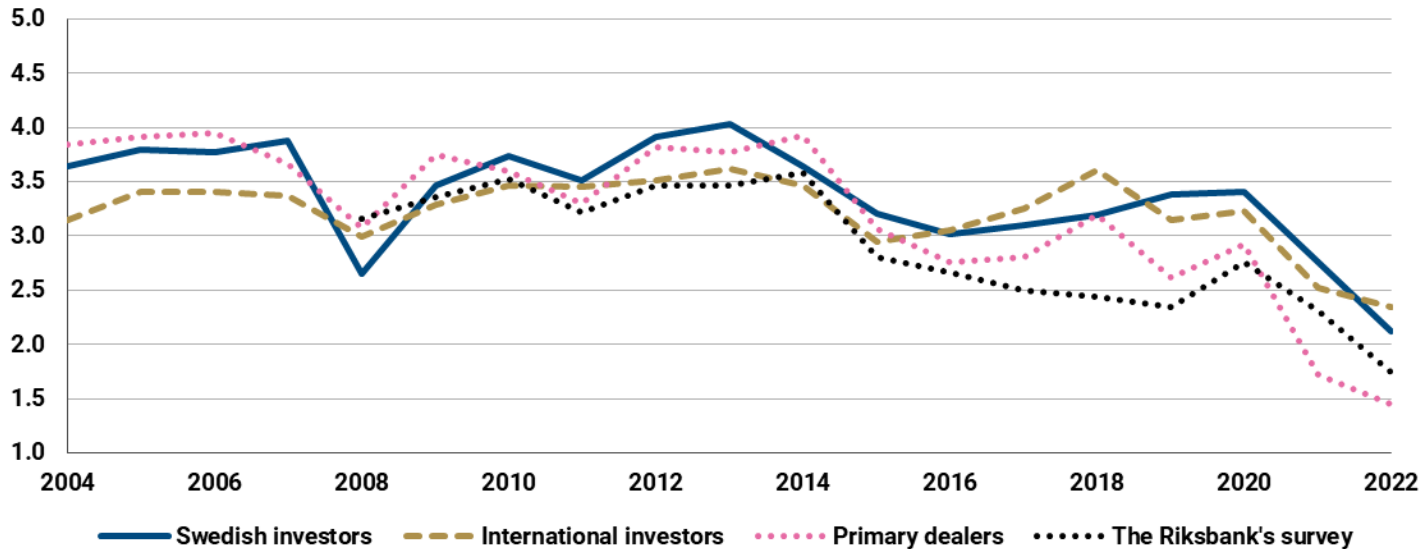
Sources: Debt Office and Statistics Sweden



Has market liquidity hit bottom?

Perceived liquidity in nominal government bond market

Score



Note: Scores for liquidity in terms of volume and spread as measured in annual survey by Kantar Prospera. Scale of 1 to 5 in which 4 and above is considered excellent, lower than 3 unsatisfactory. The chart shows the average of the scores for spread and volume. The Riksbank conducts a survey twice a year. An annual average of results is shown here.

Sources: The Debt Office and Riksbank



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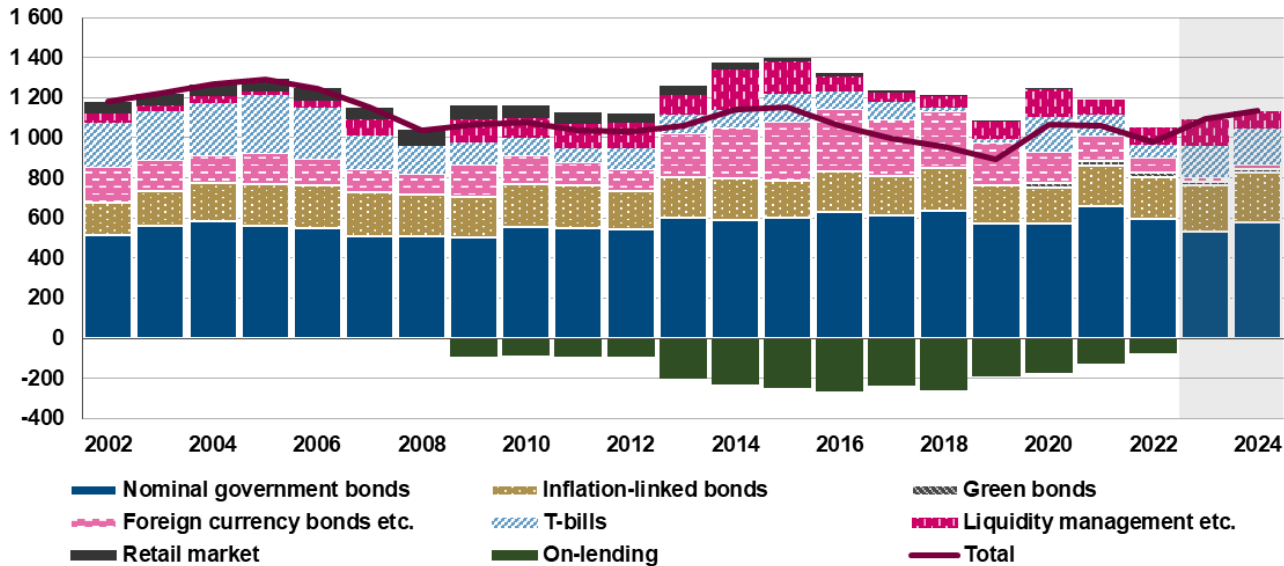




Nominal krona bonds form basis

Sweden's central government debt by debt instrument

SEK billion



Note: Central government debt at year-end, including on-lending and assets under management.