RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

2022-05-24

Central government borrowing

Forecast and Analysis 2022:2

Reg.no 2022/211

The Debt Office's assignment

The Debt Office is the Swedish government's financial manager. The mission includes central government borrowing and debt management. The aim is to do this at the lowest possible cost over time while taking account of risk.

In Central Government Borrowing – Forecast and Analysis, published three times a year, the Debt Office presents forecasts for the macroeconomic development and the central government finances in the coming two years. On the basis of these forecasts, the Debt Office calculates the borrowing requirement and sets up a borrowing plan that is also included in the report. The Debt Office borrows to cover deficits in the central government budget (the net borrowing requirement) and to repay maturing loans.

On the fifth working day of each month, the central government budget balance for the previous month is published in a press release. The outcome is compared with the forecast from Central Government Borrowing – Forecast and Analysis and any deviations are explained. In connection with the monthly outcome, the Debt Office also presents the debt development in the report Sweden's Central Government Debt.

Preface

In Central Government Borrowing – Forecast and Analysis 2022:2, the Debt Office presents forecasts for central government finances and borrowing for 2022–2023. An assessment of the macroeconomic development is provided in the first section. The next section presents forecasts for the budget balance and the underlying analysis. These forecasts serve as the basis for the borrowing plan, which is discussed in the last section of the report.

The report takes into account developments up to 10 May 2022.

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Debt Office Director General

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Summary

Growth of the Swedish economy slows at the same time as inflation is high. Although rising prices lead to more rapid growth of tax income, this is outweighed by an outflow of capital from tax accounts and increased expenditure. Altogether, the Debt Office's new forecast shows a lower surplus and thereby a larger borrowing requirement, which is being met by increased short-term borrowing.

- The war in Ukraine slows growth internationally and in Sweden while inflation rises. The Debt Office is lowering its outlook for the Swedish economy this year and expects growth to reach just over 2 per cent. Unemployment falls somewhat more slowly than in the forecast from February. Inflation is revised up considerably and reaches more than 5 per cent this year and almost 3 per cent in 2023.

- Central government finances weaken, compared with the Debt Office's previous forecast, but still show a surplus. This is because capital placements in tax accounts decrease at the same time as central government expenditure increases, which is partly counteracted by higher consumption-tax income due to significant price increases.

- In response to the lower surplus and higher borrowing requirement, the Debt Office is adjusting up the volume of treasury bills, in keeping with its strategy of adapting the short-term borrowing first. Additionally, the Debt Office is planning to issue a new foreign-currency bond in 2022. The plan for the issuance volumes of nominal and inflation-linked government bonds remains unchanged.

Table 1. Key figures

This forecast (previous forecast)	2021	2022	2023
Swedish economy			
GDP growth[1]	4.8	2.2 (3.2)	1.8 (1.8)
Unemployment[2]	8.8	7.5 (7.7)	7.2 (7.0)
CPIF inflation[1]	2.4	5.5 (3.1)	2.8 (1.8)
Government finances			
Budget balance[3]	78	102 (139)	75 (90)
Central government net lending[4]	-1.1	-0.3 (0.2)	0.2 (0.5)
Central government debt[4]	22	19 (19)	17 (16)
Public sector debt[4]	37	33 (33)	30 (31)
Government borrowing			
Nominal government bonds[3]	83	46 (46)	40 (40)
Inflation-linked government bonds[3]	21	9 (9)	9 (9)
Green bonds[3]	0	0 (0)	0 (0)
Treasury bills, outstanding year-end[3]	107	83 (65)	103 (65)
Foreign currency bonds[3]	0	20 (0)	0 (0)

[1] Yearly percentage change, [2] Percent of labour force, [3] SEK billion, [4] Percent of GDP

Higher inflation and lower growth in Sweden

After very high growth last year, the Swedish economy loses momentum in 2022. The war in Ukraine slows growth internationally and in Sweden, while inflation rises. The Debt Office is lowering its outlook for the Swedish economy this year and expects growth of just over 2 per cent. Unemployment falls somewhat more slowly than in the forecast from February but gradually shifts back to the level from before the pandemic. Inflation is revised upward considerably and is expected to reach more than 5 per cent this year and almost 3 per cent in 2023.

Sweden has experienced a strong recovery from the pandemic and its economy is in a strong position from the outset. The Swedish economy grew by as much as 4.8 per cent in 2021. The labour-market situation has also improved, and interest rates have continued to rise at a rapid pace. Russia's invasion of Ukraine – occurring on the same day in February as the previous Central Government Borrowing report was published – has drastically changed conditions for growth both internationally and in Sweden. China has shut down large parts of its economy as part of its zero-tolerance policy for the coronavirus – which, coupled with supply-chain problems resulting from the war in Ukraine, is worsening the bottleneck problems that arose during the recovery from the pandemic. This contributes to lower growth in the surrounding world, which also affects the Swedish economy. The downside risks have increased, and the uncertainty in the forecast is mainly related to the inflationary developments, the tightening of monetary policy, and the security situation.

War and high inflation slow global growth

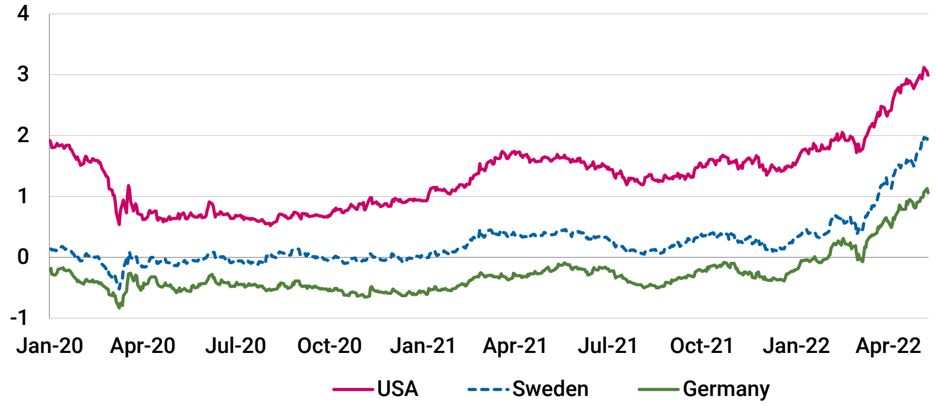
The inflationary pressure that was already present during the recovery from the pandemic is being compounded by the effects of the war, mostly through high energy prices and supply disruptions. The market therefore expects central banks to tighten monetary policy much more swiftly, and this has had a distinct impact on short-term interest rates, which are rising not least in Sweden. Financial conditions have generally become tighter, contributing to dampening growth ahead. Since the beginning of the year, bond yields have risen substantially (see Figure 1) and share prices have fallen. Households are facing significantly higher interest rates, mainly in the US but also in Sweden.

Of those countries that are important to the Swedish economy, the impact of the war is judged to be the most adverse for the euro area. This is mainly because the euro area is heavily dependent on Russian energy import, but there are also other factors restricting growth (see the In-depth part below). For the euro area, the Debt

Office expects growth of just over 2 per cent this year and the same for next year. It is mainly this year's growth that is revised down since the assessment from February (see Figure 2).

Figure 1. Yields on 10-year government bonds

Per cent

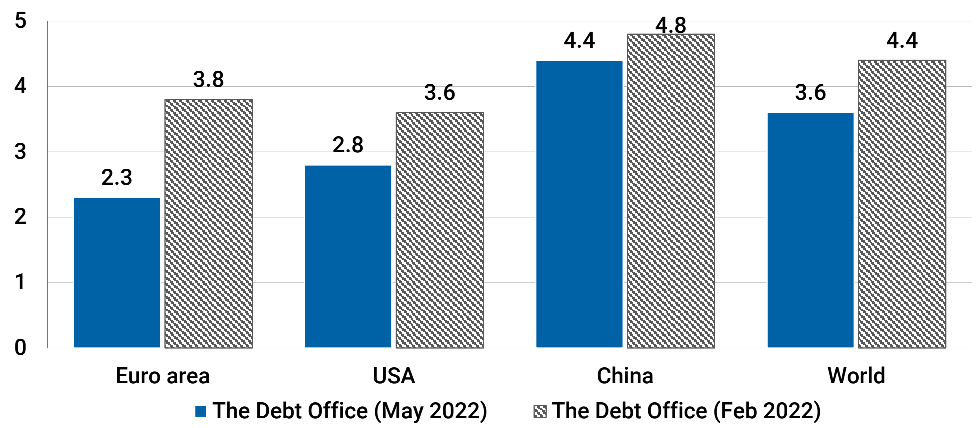


Source: Macrobond.

Germany in particular is experiencing significant economic effects of the war. Germany is a major importer of Russian energy, primarily natural gas (more than half of the German import of natural gas comes from Russia). High prices of oil and natural gas are expected to erode consumer purchasing power and also hit German industrial production hard.

Figure 2. International GDP forecasts for 2022

Annual percentage change



Note: The Debt Office's forecasts for the euro area and the US. For China and the world, forecasts from the IMF are used.

Sources: The Debt Office and IMF.

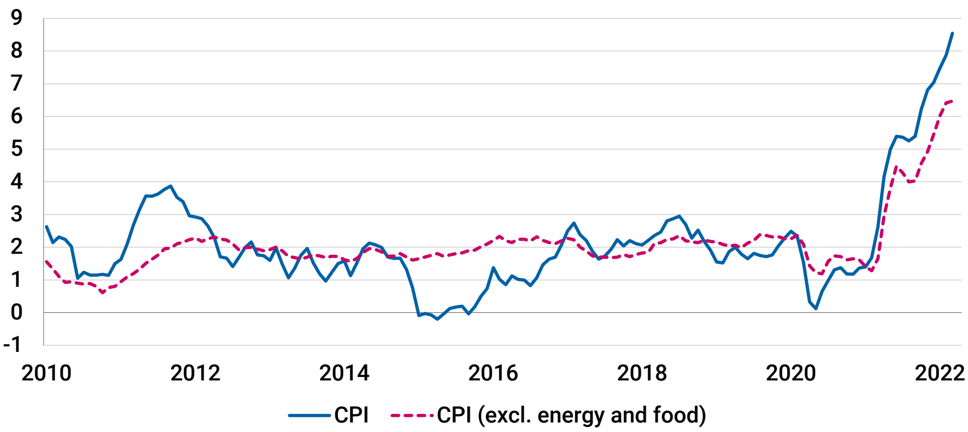
The effects of high prices can already be seen in various indicators in the euro area and on consumer confidence, which fell sharply in March and remains at historically low levels. Companies are showing signs of record-high input goods prices, which are expected to be transferred to consumers. To a certain extent, a high household saving rate, increased public spending, initiatives to find energy-supply alternatives, a strong labour market, and the effects of the reopening of the economy after the pandemic all help to counteract the adverse impact of the war on the euro area economy.

The US is not as severely affected by the war, among other things because the country is less dependent on energy import from Russia. Growth in the US is, however, revised down for the entire forecast period, mainly because the US central bank (the Fed) is expected to tighten monetary policy even sooner than anticipated in the February assessment. The labour market is strong, but the situation has become increasingly strained. Demand for labour is high at the same time as the labour supply has not fully recovered from the pandemic. The shortage of labour has caused wages to rise significantly, which, to some degree, is expected to result in even greater inflationary pressure (see the section "High inflation results in rapid interest rate increases"). This year the US economy is expected to grow by almost 3 per cent, to then shift down to just over 2 per cent in 2023.

New lockdowns in China resulting from the increased spread of infection and the country's zero-tolerance policy for the coronavirus risk aggravating bottleneck problems, both those that were present before the war and those resulting from it. China's economy is expected to grow by just over 4 per cent this year, which is well under the growth target of about 5.5 per cent (see Figure 2).

Figure 3. Inflation in the US

Annual percentage change



Note: Latest outcome: March

Source: US Bureau of Labor Statistics.

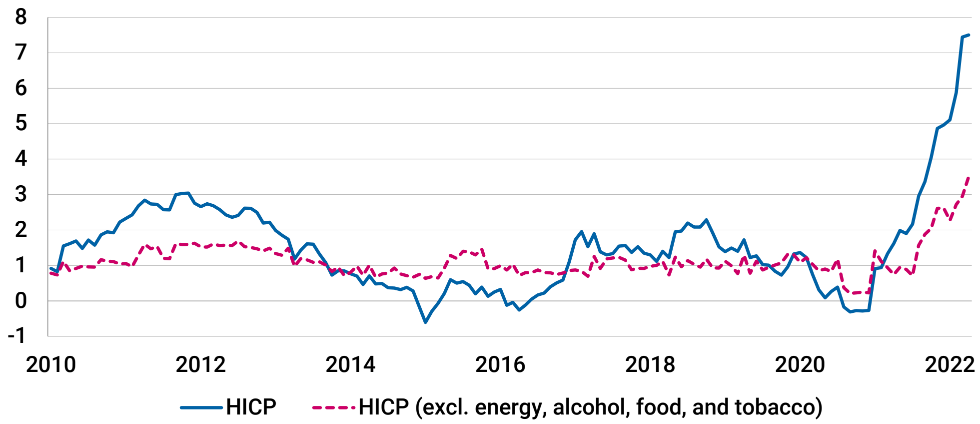
High inflation results in rapid interest rates hikes

Inflation in the US has been high for over a year now (see Figure 3), although the reasons for the increased prices have shifted. Initially, the rise in inflation was largely due to increased demand in conjunction with the recovery from the sharp drop in GDP in the spring of 2020 and the difficulties in adjusting supply to accommodate that demand. The recent increase can be attributed to high energy and food prices, but the underlying inflation is also high and the price pressure broad. The Fed has therefore started raising its main policy rate and announcing plans to shrink the balance sheet. At the latest monetary policy meeting, in May, the federal funds rate was raised by 0.5 percentage points to the range of 0.75–1 per cent, and the central bank communicated that additional rate hikes of the same magnitude as the May increase are planned for the upcoming meetings.

Inflation in the euro area has also risen to high levels (see Figure 4). The increase in inflation in the euro area has, however, not been as broad as in the US, since high energy prices have been the biggest contributing factor. Nevertheless, the price increases for food, services, and capital goods have been unusually high recently. The war in Ukraine means that commodity and energy prices are likely to remain at a higher level than previously expected. This could, in turn, have a broader impact on the general price level – via indirect effects that are difficult to assess. Altogether, the Debt Office expects inflation in the euro area to remain at high levels, mostly over this year, to then abate in 2023. The high inflation also means that the ECB is expected to proceed more rapidly with tightening monetary policy. The ECB kept policy rates unchanged at its latest monetary policy meeting, in April, but the central bank has signalled that net asset purchases will soon be concluded and that policy rate increases will then begin.

Figure 4. Inflation in euro area

Annual percentage change



Note: Latest outcome: April (preliminary).

Source: Eurostat.

In-depth

Forecast assumptions about the war in Ukraine and its economic effects

The economic effects of the war in Ukraine remain very uncertain, and this applies to several of the assumptions that are linked to the development and which form the basis of the forecasts. This section briefly presents the Debt Office's assumptions and the channels through which growth is affected.

- The sanctions imposed on Russia will remain in place for a long time, regardless of how the war develops.

- Prices of raw materials will remain at high levels, mainly this year and in the beginning of 2023.
- Russian export of natural gas to Europe will continue to be possible, except to Poland and Bulgaria.
- Beyond Ukraine, Russia, and the countries in their vicinity, the impact on growth will be the most severe in the euro area.
- Growth will be affected mainly through three channels: trade, the global energy and commodity markets, and lower confidence among households and businesses.
- The direct trade effect on the economy of the euro area will be limited. Russia accounts for a small portion of the foreign demand in the euro area. Nevertheless, the spread of the effect to the global economy – particularly via countries that have more trade with Russia (such as those in Central and Eastern Europe) – could weaken trade prospects for the euro area.
- The energy and commodity market effects are expected to have a major impact on the economy of the euro area. In 2020, deliveries from Russia accounted for just over 20 per cent of the euro area's oil import and almost 35 per cent of its natural gas import. A limited capacity to import liquefied natural gas (LNG) implies a delay in finding new solutions for gas import, which increases the risk of high gas prices persisting.
- Russia is also a major producer of important metals, such as aluminium, palladium, and nickel. Palladium is an important component in the automotive industry, and a reduced supply of the metal risks exacerbating the bottleneck problems in an industry that is already severely affected. Russia and Ukraine are also major global producers of wheat, barley, and artificial fertiliser.[1] The loss of output from Russia and Ukraine could lead to extensive problems for the food industry.
- The war in Ukraine is presumed to have an adverse effect on confidence – which, through lower consumption and investment, dampens demand in the euro area.

Swedish economy loses momentum

After the very strong growth of last year, the war in Ukraine is dampening the outlook for the Swedish economy while contributing to higher inflation. Businesses, and most of all households, are becoming more cautious, and household consumption and investment are developing weaker than previously expected. This is counteracted by greater contributions from general government consumption

[1] Russia and Ukraine together account for almost 30 per cent of the global export of wheat.

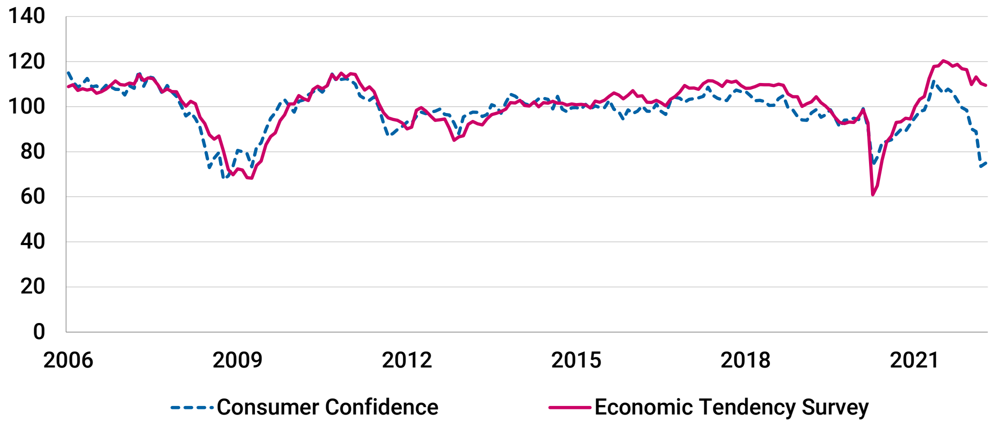
when fiscal policy becomes more expansionary, among other things as a result of increased defence appropriations and the influx of refugees.

The Debt Office forecasts that the Swedish economy will grow by 2.2 per cent this year and by 1.8 per cent next year. The downward revision this year is primarily a reflection of GDP growth becoming weaker in the first half of the year than in the previous assessment. The revision of the Swedish economy is lesser than that for the euro area but greater than for the US, which thus reflects the differing extents to which the economies are expected to be affected by the war.

One factor preventing Sweden from being as affected as the euro area is that Sweden's direct economic connections to Russia and Ukraine are small, in combination with the fact that Swedish energy consumption is not nearly as dependent on Russian import. The surveys are still at levels that are normal to high, even though a reduction has occurred since last year (see Figure 5). This indicates that there will not be an overly abrupt economic slowdown.

Figure 5. Confidence in the Swedish economy among households

Index 2019-12=100



Note: Seasonally adjusted data. The mean for both indicators is 100 and the standard deviation is 10.

Source: National Institute of Economic Research.

At the same time, the level of uncertainty remains sharply elevated because of the high inflation and the security situation. With regard to inflation, the revisions are substantial compared with the previous forecast and can be expressed in whole percentage points for both forecast years. Inflation measured as CPIF is now expected to reach 5.5. per cent this year and 2.8 per cent next year, according to the Debt Office's assessment. The inflation measured in March was the highest in 30 years.

Table 2. GDP and its components, constant prices, forecast

Percentage change

	2020	2021	2022	2023
GDP	-2.9	4.8	2.2	1.8
Household consumption	-4.7	5.8	2.8	1.5
General govt. consumption	-1.3	2.8	2.6	2.1
Gross fixed cap. formation	-0.3	6.1	3.2	3.1
Change in inventories[1]	-0.7	0.4	-0.1	0.0
Exports	-4.6	7.5	2.8	3.5
Imports	-5.6	9.4	4.3	4.0
Net exports[1]	0.2	-0.4	-0.5	-0.1
GDP (calendar adjusted)	-3.2	4.7	2.2	2.0

Note: [1] Contribution to GDP growth, percentage points.

Sources: Statistics Sweden and the Debt Office.

Measured in current prices, revisions for GDP in 2022 are minor

Measured in current prices, GDP has been revised down somewhat for 2022, but only by two-tenths, which partly contrasts with 1 percentage point in fixed prices. This is because the measurement in current prices is affected by both volume and price changes, and, since the previous forecast, prices have been revised up almost as much as the volume development has been revised down. For 2023, GDP in current prices has been revised up by 1.3 percentage points while the volume forecast remains unchanged. GDP – and its various components – in current prices are used in the calculations of the budget balance in the next chapter.

The high inflation erodes household purchasing power

Household consumption increased by 5.8 per cent last year, which was the fastest rate of increase in at least 40 years. The historically strong development is largely due to a pent-up need for consumption by the time the pandemic restrictions were being removed, which benefitted the consumption of services involving personal interaction.

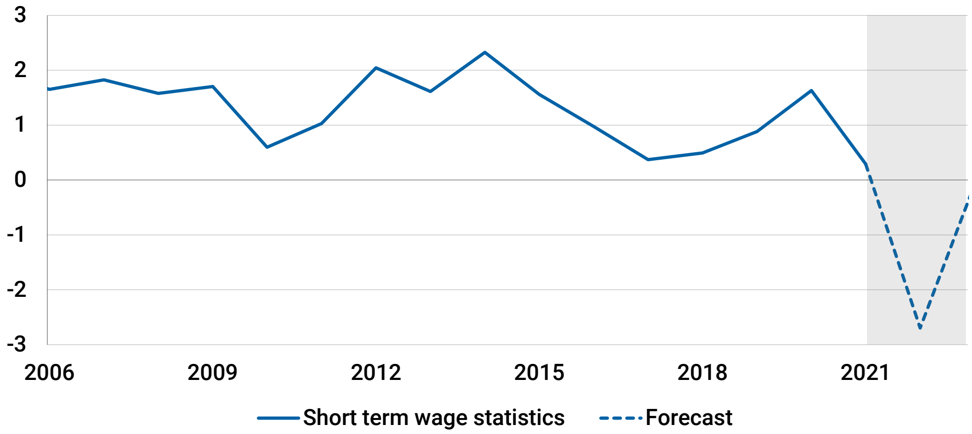
The strong development has subsided during the beginning of 2022. Rapidly rising prices and reinstated pandemic restrictions around the turn of the year dampened household consumption in January and February. In addition, with the outbreak of war, households clearly became pessimistic and concerned about the future; the drop in confidence in March was the next-largest recorded in the almost 30-year history of the series. In April, consumer confidence rose somewhat, but there continues to be a very dampened mood among households. Higher mortgage rates, weaker purchasing power, and a general sense of unease can be identified as probable reasons for the decrease. Even asset prices have fallen since the end of last year, which could contribute to dampening household consumption of, for example, consumer durables. Surveys also show that households' plans for purchasing major durable goods are at much lower levels in regard to the coming 12 months.

This year, prices have risen rapidly for everything from gasoline (petrol) and energy to groceries, which has caused the Riksbank to tighten monetary policy much sooner. At its monetary policy meeting in April, the Riksbank made a policy rate increase, to a positive interest rate for the first time since 2014. This, in turn, also caused short-term mortgage rates to increase, and many households are facing higher interest payments given that a fairly large proportion have relatively short fixed-interest terms. Although the interest rate increase is not so significant in absolute terms, indebtedness among Swedish households has gone up rapidly, particularly over the last decade, creating greater sensitivity to interest rates than in previous cycles of increase. Thus, the interest rate increase now simply does not need to be as high as before in order for there to be an equivalent constraining effect on household purchasing power.

Household savings went up to record-high levels during the pandemic, which means that there is a buffer to take from when the high inflation causes real wages to decrease this year (see Figure 6). But the level of savings is unevenly distributed among households, thereby likely limiting this effect. Also, the fiscal policy measures being implemented to counter the effects of energy and fuel prices provide some resilience.

Figure 6. Real wages

Year-on-year percentage change



Note: Wages are deflated with CPIF inflation.

Source: National Mediation Office, Statistics Sweden, and the Debt Office.

Altogether, the assessment is that household consumption, despite the weak development during the beginning of the year, will increase by 2.8 per cent this year and 1.5 per cent next year.

Bottlenecks hamper production

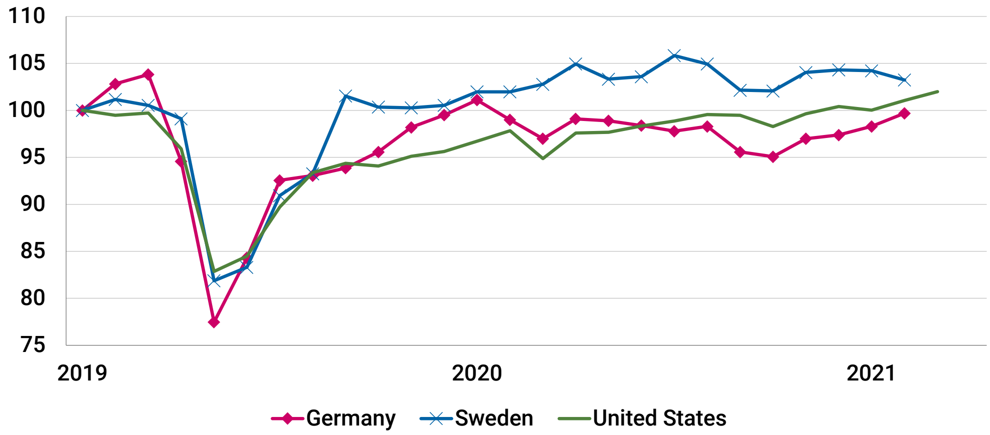
Investment within trade and industry has also increased rapidly in 2021, returning to the trend from before the pandemic. During much of the year, however, segments of industry have been inhibited by bottleneck problems and long delivery times. Indicators that reflect supply conditions point to the continued existence of these problems, and the recent events also imply a risk of them becoming worse.

The situation in Ukraine and the lockdowns in China, mainly in the major metropolis of Shanghai, affect both the delivery problems and the shortage of input goods. Industrial companies name the shortage of materials as the main impediment to increased production in recent quarters. The fact that these challenges remain indicates that industrial output, which has essentially not increased at all since last spring, will continue to develop relatively weakly in the coming quarters (see Figure 7).

In segments of industry where production has not been limited by a shortage of materials, capacity utilisation is generally high, which should be indicative of greater interest in increased investment. The security situation and the announced political decisions will entail increased investment in military equipment in both the short and long terms. Swedish industry also benefits from the build-up of defence capabilities abroad and the shifting of the European energy supply. The ongoing climate transition contributes to keeping the level of investment high as well. At the same time, the elevated uncertainty and delivery problems are hampering gross fixed capital formation, which is expected to grow just over 3 per cent on average in 2022 and 2023, a clear downward turn from last year.

Figure 7. Industrial production

Index 2019:12=100



Sources: Statistics Sweden and national resources.

Housing construction was high in 2021, and indicators such as building permits and construction begun on new apartments point upwards. This indicates that housing construction will remain high in the next few quarters. Rising material prices, delivery disruptions, and rising interest rates are, however, expected to hinder construction over the course of the year. Housing prices have risen rapidly in recent years. The outlook ahead is bleaker as rising interest rates and high energy costs slow the housing demand. In addition, the rate of increase for household income is slowing down, which means that housing prices are expected to enter a more subdued phase.

Large contributions from general government consumption

General government consumption is expected to be a relatively large contributor to growth in the forecast years, which partly counteracts the effect of weaker household consumption and investment.

A contributing factor is that the war in Ukraine has led to a significant wave of refugees entering Sweden. The Debt Office's assessment assumes a total of 100,000 refugees from Ukraine, 80,000 of which are assumed to arrive over the remainder of this year (see the In-depth part in the section on the labour market). This assumption is closely in line with the Swedish Migration Agency's baseline scenario. The influx of refugees will, among other things, create a greater need for social care services, such as the provision of spaces to accommodate people in living facilities and schools.

General government consumption is also affected by the build-up of defence capabilities warranted by the new security situation. There is broad political unity for increasing defence appropriations to 2 per cent of GDP, but the process is expected to take place over a period of several years. In the budget for 2022, SEK 76.6 billion is allocated to the expenditure area of defence and civil contingencies – which corresponds to approximately 1.3 per cent of GDP.

Export dampened by war

Sweden conducts only a small amount of trade with Russia and Ukraine. Goods export to the countries is barely 2 per cent of the total goods export, while the import of goods amounts to 1.5 per cent. Export demand is however also indirectly affected by the expectation that there will be a significant economic impact in, above all, the euro area, which is Sweden's largest trading partner. The security situation as well as the shutdowns in parts of the Chinese economy likely mean that pre-existing problems such as goods shortages and delivery problems will remain, and even worsen, during the year.

In contrast, industrial companies have well-filled order books. Furthermore, Swedish industry is considered to be in a position to benefit from international defence initiatives and the major European energy investments that are required for reducing dependence on Russian gas. Altogether, export growth is estimated to slow down from 7.5 per cent last year to just over 3 per cent on average over the forecast years, in line with the development of demand in the surrounding world.

Strong labour market at outset

The recovery of the Swedish labour market continues, with increased employment and decreased unemployment. The development in 2022 becomes slightly stronger than the Debt Office foresaw in February, not least in view of the stronger first quarter of this year. Payroll (the sum of gross wages and salaries) continues to grow at a good pace, which is mainly due to the number of hours worked. An influx of refugees from Ukraine is expected to only marginally affect the labour market statistics, according to Statistics Sweden's Labour Force Surveys (LFS). (See the In-depth part below.)

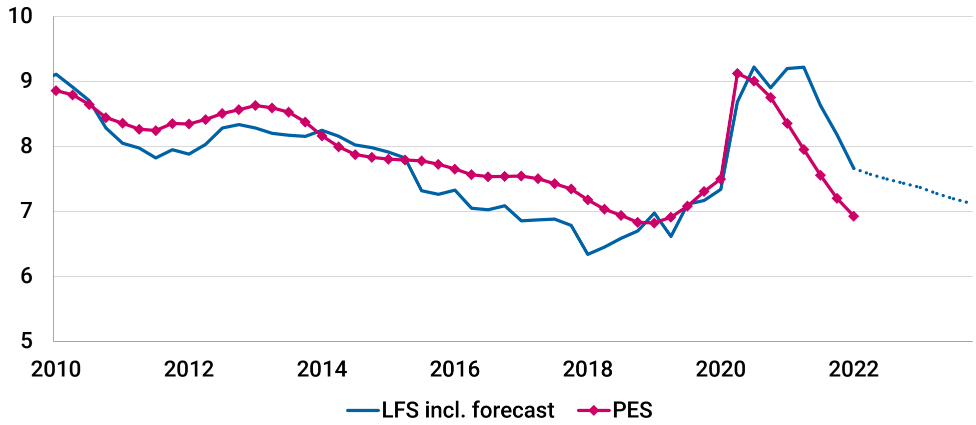
Weaker consumption dampens employment growth ahead

In the first quarter of 2022, employment grew strongly, by almost 1 per cent compared with the fourth quarter of 2021.[2] Newly linked LFS data show that employment is at a higher level than before the pandemic, and several indicators point to continued strong demand for labour in the next few months.[3] Among other things, employment plans within trade and industry are at a high level. Furthermore, the statistics from the Swedish Public Employment Service (Arbetsförmedlingen), show an increase in available positions at the same time as notices of lay-off remain at low levels.

Despite the stronger position at the outset, the Debt Office's assessment is that, compared with the assessment from February, employment growth will be lower as of the second quarter because of, among other things, weaker household consumption. Employment is estimated to grow in line with historically normal levels.

Figure 8. Different measures of unemployment

Per cent of the labour force



Note: Quarterly and seasonally adjusted data. LFS is the Labour Force Survey and PES is the Swedish Public Employment Service.

Sources: Statistics Sweden, Swedish Public Employment Service, and the Debt Office.

Unemployment falls somewhat more slowly in periods ahead

Unemployment measured according to the LFS has fallen sharply this year and amounted to 7.6 per cent in March. Even according to the Swedish Public Employment Service's statistics, unemployment has decreased markedly and is at slightly lower levels compared with those before the pandemic (see Figure 8). The

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[2] The average quarterly growth rate in employment has been approximately 0.2 per cent over the last 20 years.

[3] In January 2021, a change in method was made for the Labour Force Survey (LFS). The change entails a time series break in the labour-market statistics. In February, Statistics Sweden presented linked data adjusted for the time series break.

previous discrepancy between unemployment according to the LFS and unemployment according to the Swedish Public Employment Service's statistics has decreased, and the different measurements of resource utilisation indicate, overall, that the economy is at a level that is close to normal.

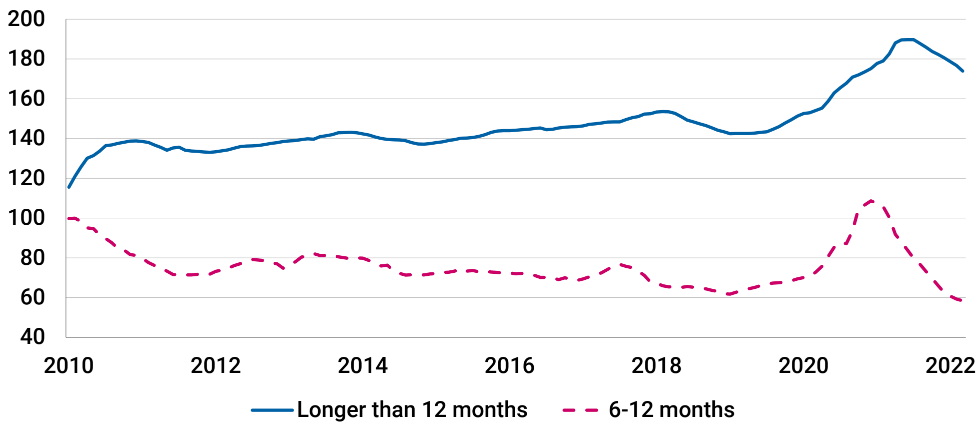
The Debt Office expects unemployment according to the LFS to fall from 8.8 per cent in 2021 to 7.5 per cent in 2022 and 7.2 per cent in 2023, measured as an annual average. A strong position at the outset, with high employment growth in the first quarter of this year, means that unemployment this year will be somewhat lower than the Debt Office foresaw in February.

The slightly more dampened employment growth in the second half of the year is expected to spill over to next year, and the outlook for both employment growth and unemployment for 2023 has deteriorated. At the end of 2023, unemployment is just over 7 per cent, roughly equivalent to the level preceding the pandemic (see Figure 8).

The decline in unemployment is expected to follow previous patterns of the business cycle and thereby progress somewhat slower than the historic rapid upswing in GDP. The primary reason for this is that long-term unemployment – defined as those registered as unemployed for more than 12 months – increased during the pandemic (see Figure 9). The Debt Office's assessment is that the number of long-term unemployed, which peaked at around 190,000 last year, is going to slowly decline in periods ahead. As a consequence of increased competition in the labour market, there is however a risk of the decline in long-term unemployment occurring more slowly than expected.

Figure 9. Long-term unemployment

Thousands



Note: Seasonally adjusted data by the Debt Office.

Sources: Swedish Public Employment Service and the Debt Office.

Payroll develops relatively strongly

After the weak development in 2020, there was a distinct increase in payroll growth last year. The Debt Office expects payroll to grow by almost 5 per cent in 2022 and in 2023, which is slightly higher than the average during the 2000s. The payroll trend is somewhat weaker this year and stronger next year compared to the Debt Office's assessment from February.

It is mainly the hours worked driving the development of payroll, rather than hourly wages. Wage increases are estimated to remain at the same moderate 2.8 per cent on average this year and the next.

In-depth

Assumption about the number of refugees to Sweden and the effects on the labour market

The Swedish Migration Agency's baseline scenario is that 80,000 refugees from Ukraine will apply for protection in Sweden in 2022. For 2023 as well, the Debt Office assumes a certain net inflow of refugees from Ukraine. The Debt Office's assessment is in line with the Swedish Migration Agency's baseline scenario for this year. The uncertainty regarding the assumption of the number of refugees is, however, great – and the assumption may need to be adjusted in periods ahead, depending on how the war develops.

Minor effects on the labour market, but a discrepancy in the economic statistics

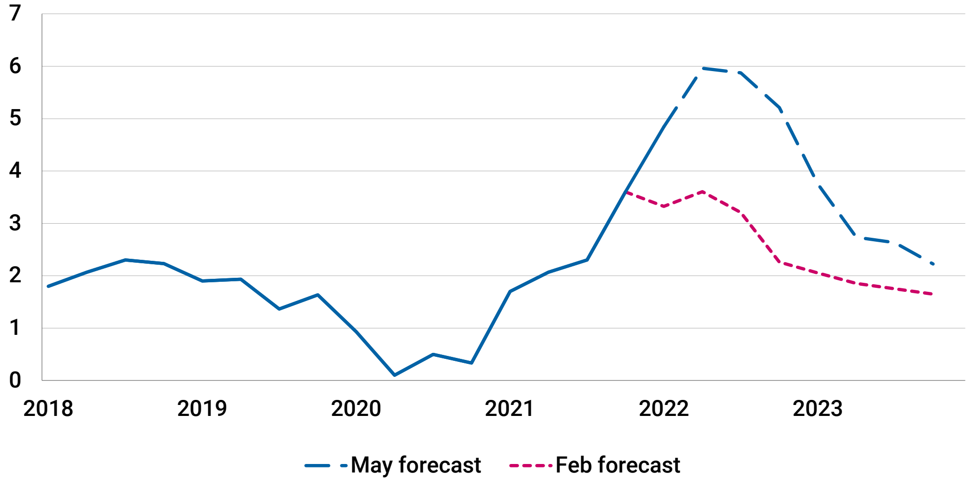
The refugees fleeing Ukraine are predominantly covered by the EU's Temporary Protection Directive (Council Directive 2001/55/EC). Under the protection provided by the directive, refugees will receive both residence permits and work permits in Sweden. Initially, those who are covered by the Temporary Protection Directive will not be registered in the population register. Because only registered individuals are included in the LFS, the effect of an increased reception of refugees on the unemployment and employment according to the LFS will be small. Nevertheless, those who are not recorded in the population register are still included in the National Accounts' employment statistics, which creates a discrepancy in Statistics Sweden's labour market statistics.

When and at what level will inflation peak?

Inflation rose surprisingly quickly last year, both in Sweden and internationally. It was mainly energy prices and supply disruptions that contributed to the spike in prices. The rising prices of raw materials and freight also caused prices at the producer stage to rapidly increase. In the beginning of 2022, the surprises on the upside have continued, but now even the underlying inflation (prices excluding energy) has gone up faster than expected. In addition, companies are reportedly raising consumer prices to a greater extent. This has contributed to the Riksbank switching its monetary policy direction, even though inflation has so far been driven mainly by factors that are outside the control of decision-makers.

Figure 10. Inflation

Year-on-year percentage change



Sources: Statistics Sweden and the Debt Office.

The war is amplifying the development thus far. Prices of a number of raw materials such as oil, natural gas, and coal have risen sharply, at the same time as fuel and grain prices have also gone up, with an impact on agriculture. The price of artificial fertiliser and animal feed has risen, mainly in recent months. Globally, however, grocery prices had already begun to increase at the beginning of 2021, among other things as a consequence of widespread crop failure.

The Debt Office's assessment is that inflation will remain at the currently high levels over the next few quarters. Even though inflation is eventually expected to fall back when for instance raw material prices start to drop, this effect is expected to be counteracted by, for example, spillover effects in other areas, thereby preventing a rapid decrease in the inflationary pressure. One reason for this is that it often takes time for companies' cost increases to affect consumer prices, since some companies have long contracts and because supply responds slowly to price changes. Nevertheless, the assessment of the extent of the spillover effects is associated with substantial uncertainty, among other things because the price increases so far have been historically large.

Altogether, the forecast for CPIF inflation is 5.5 per cent in 2022 and 2.8 per cent in 2023. Inflation is expected to be highest over spring and summer this year, when it reaches around 6 per cent. The abatement occurs relatively slowly from then on, and inflation exceeds 3 per cent for well into 2023, according to the Debt Office's forecasts (see Figure 10).

Great uncertainty and risk of higher-than-expected inflation

The largest elements of uncertainty in the forecasts are, in various ways, related to inflation and the war in Ukraine. Altogether, the risk is greater of a worse development – that is, one with lower growth and higher inflation.

The war and its effects have major significance for the economic development ahead, and the assumptions presented in the In-depth part at the beginning of this chapter are associated with great uncertainty. There is the possibility of both smaller or larger effects than those addressed, for example from either fewer or more sanctions, or either a lesser or greater effect on raw material prices – but the predominant risk is that of a worse development.

Inflation has increased rapidly for several months in both Sweden and the surrounding world. In Sweden, the main reason for the increase so far has been supply effects with major price increases that are mostly energy-related, first as a result of the pandemic and then because of the war. In somewhat simplified terms, there are currently two types of uncertainty with slightly different time horizons. The first and slightly more short-term of these has to do with how companies manage increased input prices and higher costs. An important factor will likely be the extent to which companies view the increases as temporary or permanent, along with what margins they have. The second and slightly more long-term type of uncertainty concerns the so-called second-round effects, that is, to what extent the higher inflation will spill over into a higher rate of increase for wages, which in turn further drives up the price increases through increased demand.

If the period of high and volatile inflation were to be longer than expected, the risk of a price and wage spiral would increase. In such a situation, however, it is also probable that the Riksbank would raise the policy rate further and faster than it would otherwise. This uncertainty is also tied to the broad and rapid interest rate increase that occurred in the financial markets within approximately the last six months. After a several-year period of historically low interest rates, a great deal of uncertainty is associated with how the economy in general will react to a rapid and sharp spike in interest rates, despite there being several ways in which an increase in interest rates and higher risk premiums is fundamentally positive. If the development of inflation and interest rates were to squeeze households and businesses more than expected, this would speed up the abatement assumed in the forecast, resulting in higher unemployment and lower growth. Added to this is the risk of a major drop in housing prices. It can already be said that the most important factors for housing prices – interest and income – are heading in a less favourable direction. If this development were to occur faster, and were to also involve falling share prices and increased uncertainty, there would be a risk of an abrupt downturn in housing prices.

Smaller budget surplus

Central government finances weaken in the forecast period yet still show a surplus. Compared with the Debt Office's previous forecast, the surplus in the central government budget is expected to be smaller this year and the next. This is because capital placements in tax accounts are expected to decrease while government expenditure increases, although the effect is partly counteracted by higher income from consumption tax due to rapidly rising prices. Central government net lending – which is not affected by the Riksbank repaying loans – shifts, after three years of a deficit, to a surplus in 2023.

The central government budget balance has developed slightly stronger than anticipated since the February forecast, but weaker development ahead is expected. The Debt Office now estimates a surplus of SEK 102 billion for this year, which then decreases to SEK 75 billion in 2023 (see Table 3 and Figure 11). That is SEK 37 billion lower this year and SEK 15 billion lower next year than the Debt Office estimated in February.

Table 3. Central government budget balance, forecast, 2022–2023

SEK billion

Central government budget balance	**2021**	**2022**		**2023**	
	Outcome	**May**	**(Feb)**	**May**	**(Feb)**
Primary balance[1]	3	51	(93)	24	(40)
Debt Office net lending[2, 3]	74	69	(61)	58	(56)
of which on-lending	57	61	(61)	64	(64)
Interest on central government debt[3]	1	-17	(-14)	-6	(-6)
Budget balance[4]	**78**	**102**	**(139)**	**75**	**(90)**
Budget balance excl. on-lending to the Riksbank	**21**	**41**	**(78)**	**11**	**(26)**
Central government net lending	**-62**	**-14**	**(14)**	**10**	**(27)**

[1] The primary balance is the net of income and expenditure excluding interest payments and net lending by the Debt Office.

[2] Net lending by the Debt Office mainly comprises the net of government agencies' loans and deposits in the central government's internal bank.

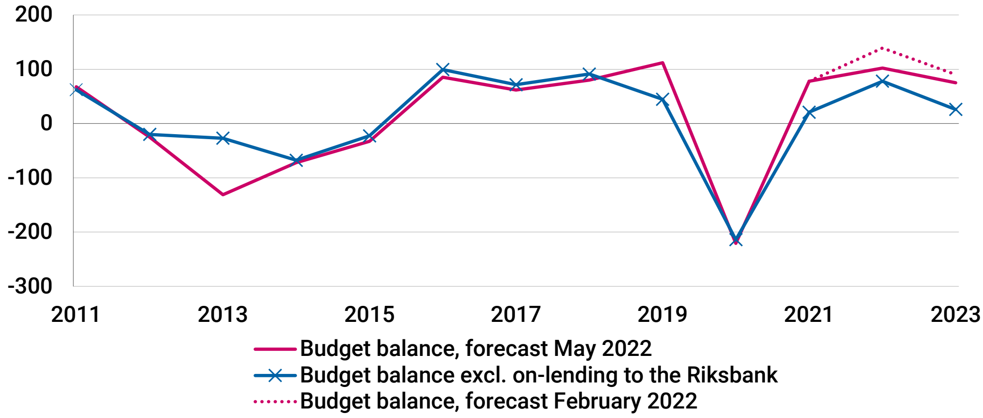
[3] The table shows the net lending and interest on central government debt in terms of how they affect the budget balance. The signs are therefore reversed compared with that shown in Tables 6 and 7.

[4] The budget balance with the opposite sign is the central government net borrowing requirement.

The net borrowing requirement (the budget balance with the opposite sign) will increase accordingly, by SEK 37 billion and SEK 15 billion, for the two respective years. The net borrowing requirement for the entire forecast period is thus SEK 52 billion higher than in the previous forecast.

As in the previous forecast, a large part of the surplus this year and the next is due to the Riksbank's ongoing repayment of loans previously raised on its behalf by the Debt Office to finance the central bank's foreign currency reserves (see Table 3 and Figure 11). The reduction in on-lending through the repayment of those loans causes, as before, Debt Office net lending to decrease sharply, thereby strengthening the budget balance. As a result of the reduced on-lending, Debt Office net lending to government agencies and other parties decreases this year by just over SEK 61 billion and next year by SEK 64 billion. But even when excluding on-lending, the central government budget balance in 2022 and 2023 shows a surplus, although it is smaller than in the previous forecast. Compared with the February forecast, higher market interest rates entail higher interest payments on central government debt, mainly for this year.

Figure 11. Budget balance – outcome and forecast

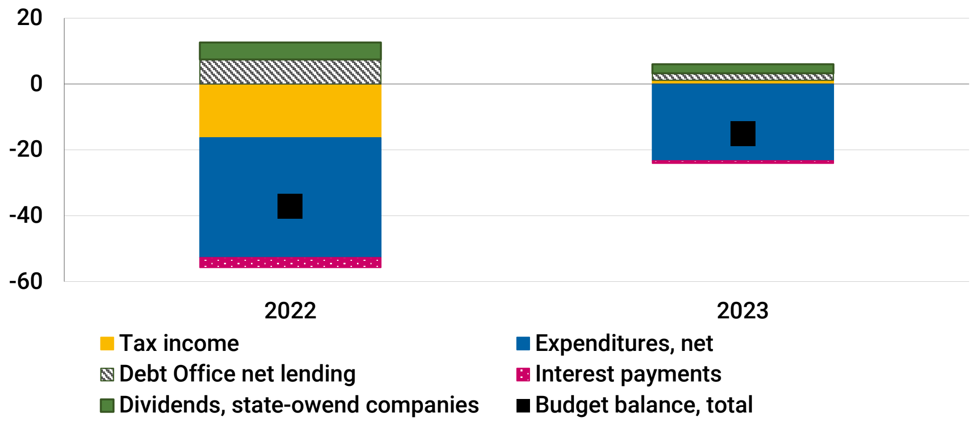


Source: The Debt Office.

Compared with the February forecast, the budget balance is expected to show a weaker development ahead. This is due to a number of factors. Among these, higher expenditure and the Debt Office's new assumptions regarding capital placements in tax accounts have a significant effect. As a result of the rapidly rising interest rates, capital placements in tax accounts are expected to decrease sharply and shift to an outflow this year. In the previous forecast, the Debt Office assumed a continued inflow this year but an outflow next year. The outflow of capital placements in tax accounts is revised up considerably for next year. Expenditure is revised up because of the Spring Amending Budget and the extra amending budgets added since the forecast in February. These contain just over SEK 35 billion in new measures for this year (see the In-depth part on page 30). Spending on social insurance and defence next year is also revised up, as a result of the Government's announcements and the Debt Office's assumptions.

Figure 12. Forecast changes, budget balance

SEK billion



Note: The table shows changes in terms of the budget balance. A positive amount means that the budget balance improves and vice versa.

Source: The Debt Office.

The outflow of capital placements in tax accounts and the increased expenditure are, to some extent, counteracted predominantly by higher income from VAT as a result of the rapid price increases. In the same manner, the sharp increase in deposits from Svenska Kraftnät continues to contribute to reduced net lending by the Debt Office this year and the next, which has a positive effect on the budget balance. The major forecast changes are shown in Figure 12 and Table 4.

Table 4. Major forecast changes in the budget balance

SEK billion

	2022	2023
Budget balance according to previous forecast	**139**	**90**
Primary balance	**-42**	**-17**
Tax income excluding capital placements in tax accounts	24	31
Capital placements in tax accounts	-40	-30
State share dividends	5	3
Defence	-2	-8
Labour market	4	0
Social insurance	-15	-8
Migration	-6	-6
International aid	4	4
Other	-16	-3
Debt Office net lending	**7**	**2**
Interest on central government debt	**-3**	**-1**
Budget balance according to new forecast	**102**	**75**

Note: The table shows changes in terms of the budget balance. A positive amount means that the budget balance improves and vice versa.

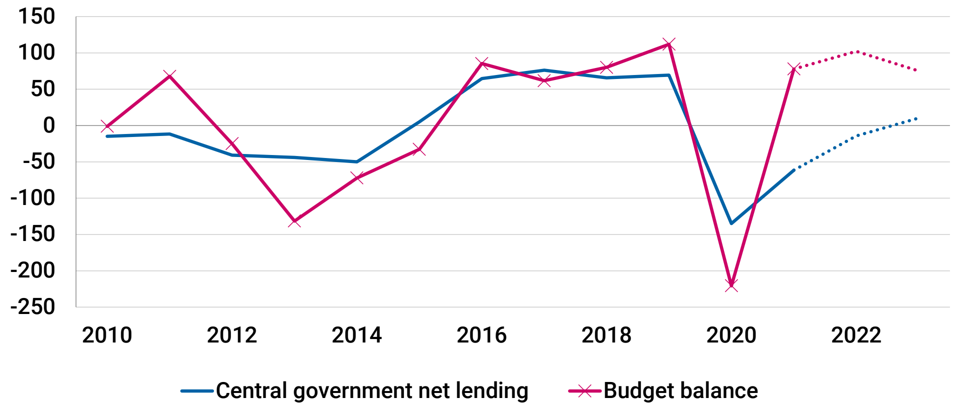
Central government net lending shifts to surplus in 2023

Central government net lending is gradually improving as the economy recovers, but it is still expected to show a deficit of SEK 14 billion this year. This is the third consecutive year of a deficit, but next year a surplus of SEK 10 is expected (see Table 3 and Figure 13). As a percentage of GDP, the forecasts correspond to -0.3 per cent and 0.2 per cent, respectively.

Central government net lending normally develops more evenly than the budget balance does. The biggest difference between the budget balance and central government net lending in the forecast period is from the loans that the Riksbank is repaying to the central government. These improve the budget balance but not the net lending. Other differences are due to accrual effects on taxes such as the deferral of tax payments via respites, as well as capital placements in tax accounts.

Figure 13. Central government net lending and budget balance

SEK billion



Source: Statistics Sweden and the Debt Office.

Forecast of tax income this year is revised down

This year, tax income to the central government is estimated to be lower than in the previous forecast, but next year it remains largely unchanged. During the forecast period, tax income is affected by two contrasting effects. The first, a burdening effect, is a result of the Debt Office's assessment that the outflow of capital placements in tax accounts will already begin to occur this year, and that it will be significant. Accordingly, supplementary tax – which mainly consists of deposits in, and withdrawals from, tax accounts – is revised down both for 2022 and for 2023. The other, which is instead a boosting effect, is due to the assumption that income from VAT will be higher, driven by a more rapid rise in prices ahead – which boosts consumption tax (see Table 5).

Since the previous forecast, income from taxes has been higher than expected, driven mainly by higher supplementary tax and VAT (Figure 14).

Table 5. Income from taxes, change from previous forecast

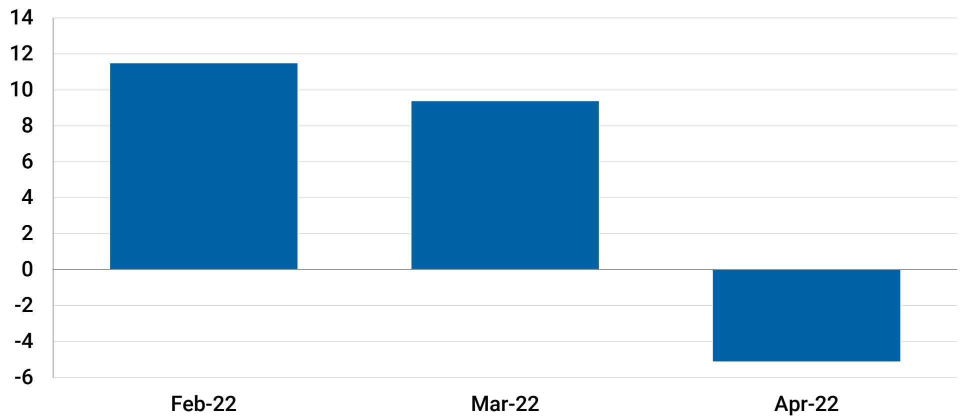
SEK billion

Type of tax	2022	2023
Payroll tax	-1	-2
Consumption tax	10	24
Corporate tax	0	1
Supplementary tax	-25	-21
Total change	**-16**	**1**

Note: Supplementary tax consists mainly of deposits and withdrawals from tax accounts in connection with, among other things, tax debits. The table shows changes in terms of the budget balance.

Figure 14. Central government tax income, difference between outcome and Debt Office's forecast

SEK billion



Source: The Swedish Tax Agency and the Debt Office.

Significant outflow of capital placements in tax accounts

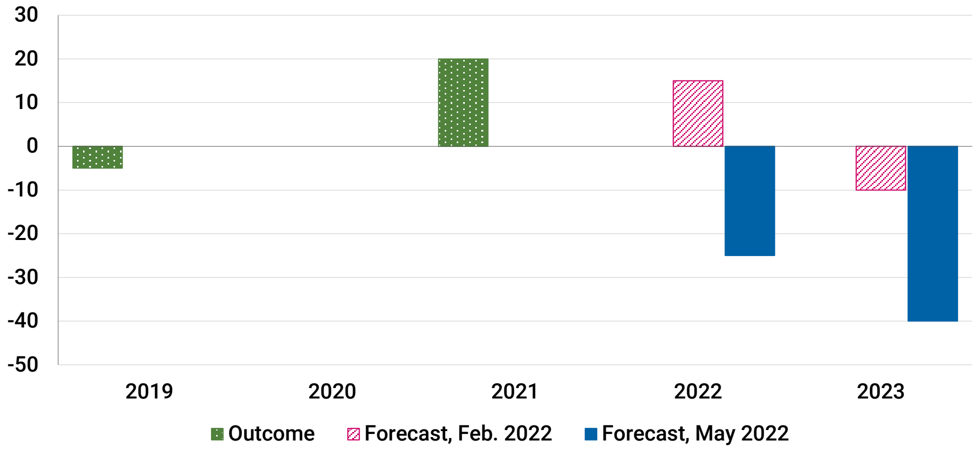
Income from supplementary tax is expected to be lower than in previous forecasts during both 2022 and 2023, above all because a significant outflow of capital placements in tax accounts is expected during the forecast period.

The Debt Office assumes that capital placements will decrease by SEK 25 billion this year and by a further SEK 40 billion next year (see Figure 15). Only a minor portion of the capital placements in tax accounts remain at the end of the forecast period.

The total balance in tax accounts has continued to rise during the beginning of the year (see Figure 16). In simplified terms, the total balance consists of deposits for covering forthcoming tax debits, and of capital placements. There are no statistics regarding the actual size of the capital placements in tax accounts, hence, it can only be estimated. There is therefore considerable uncertainty about the figure. However, the Swedish National Financial Management Authority (ESV) publishes a retrospective estimate of the size of capital placements in tax accounts. At the end of last year, around SEK 75 billion in deposits was considered placements of capital according to ESV's estimate, most of which was attributed to companies, primarily financial institutions.

Figure 15. Net inflow of capital placements in tax accounts

SEK billion



Note: The figure shows the net flow of extra deposits in tax accounts. For 2019-2021, outcomes according to the Swedish National Financial Management Authority are shown.

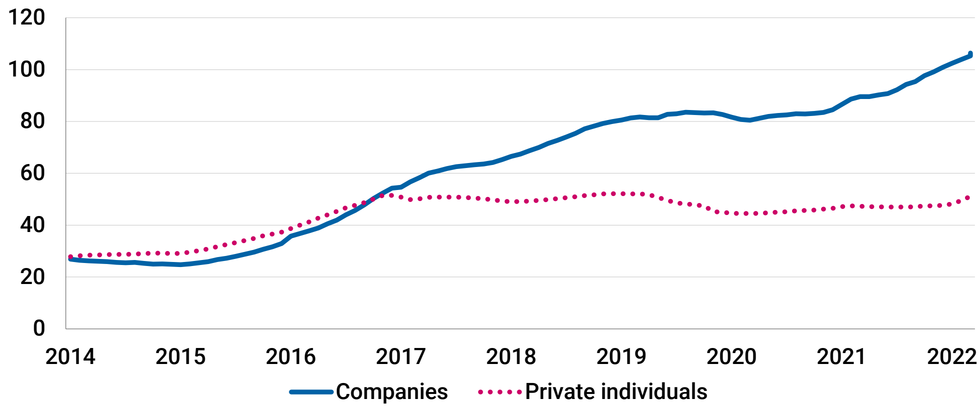
Source: Swedish National Financial Management Authority, Swedish Tax Agency, and the Debt Office.

The ever-higher inflation has caused market interest rates and interest rate expectations to rise notably since the previous forecast (see more in Chapter 1). In the Debt Office's assessment, alternatives for a better return on investment than the return on placements in tax accounts will become available to many companies in periods ahead. Financial actors are likely to respond quickly to the growing difference in interest rates, while it is assumed that households will react more slowly to the higher market rates. The Debt Office expects the outflow of capital placements to begin during the spring and continue throughout the forecast period, with an emphasis on the coming year. By the end of 2023, around SEK 10 billion in capital placements in tax accounts remains.

The effects of an increased outflow of capital placements is partly counteracted by the fact that supplementary payments are assessed to be higher, particularly this year. Among other things, in 2021, the capital gains of individuals have been significantly higher than expected. This is supported by indications of substantial supplementary deposits in tax accounts, in order to cover deficits during the beginning of this year. Dividends from so-called close companies have also been revised up; the annual income statements from the Swedish Tax Agency show that dividend income was historically high last year.

Figure 16. Total balance in tax accounts

SEK billion



Note: Consists, in simplified terms, of deposits in order to cover forthcoming tax debits, as well as capital placements. 12-month moving average.

Source: The Swedish Tax Agency and the Debt Office.

Higher VAT boosts income from taxes

Income from tax on consumption, primarily VAT, has continued to increase more than previously anticipated. The Debt Office's assessment is that this is mainly due to a faster-than-expected price development for, among other things, energy and fuel. The higher price level is assumed to persist for the forecast period, and income from VAT has therefore been revised up both for this year and the next, despite household consumption in fixed prices being revised down slightly compared with the February forecast (see more in Chapter 1). Selective tax (excise duties) also has somewhat of a restraining effect on consumption tax this year, which is mainly due to temporary fuel-tax cuts.

In the short term, the central government's income from consumption tax increases as a result of the higher inflation. But the development ahead is more uncertain as, among other things, household purchasing power decreases after the rapid rise in inflation. This could mean that households cut back on consumption more than expected. At the same time, during the pandemic many households accumulated larger savings, which can be used as a buffer.

Income from corporate tax is expected to remain essentially unchanged from the previous forecast both this year and the next. After a downturn in 2020, corporate profits recovered strongly last year. The rate at which the profits develop is expected to be considerably lower both this year and next year as manufacturing companies continue to experience delivery problems, at the same time as input goods and energy have risen in price (see more in Chapter 1). How well companies succeed in maintaining their profit margins largely depends on the extent to which increased prices can be transferred to customers and ultimately to consumers. The forecast uses the assumption that companies will continue to experience relatively good demand.

Payroll tax, which among other things comprises preliminary tax on earned income and employers' fees, is marginally lower than in the previous forecast both in 2022 and 2023. This year, the weaker payroll development dampens government income from payroll tax. Next year, payroll tax income goes down because of high disbursements to the pension system and to local governments of, among other things, higher municipal tax income, which completely counteracts the stronger payroll development.

New fiscal policy contributes to increase in expenditure

Central government expenditure is higher than in the previous forecast both this year and next year (see Figure 12). This is largely due to increased spending on defence and migration after Russia's invasion of Ukraine at the same time as some announced measures, such as a new benefit that is part of the housing supplement for low-income pensioners, are expected to entail increased costs for this year and the next. In addition, it is assumed that many pandemic-related measures will be phased out, even as some measures such as the compensation for high sick-pay costs remain. The Debt Office also assumes that the majority of measures presented in the Spring Amending Budget and in the extra amending budgets will be utilised (see the In-depth part on the next page for a description of the Debt Office's assumptions about expenditure areas of the budget).

The spring budget proposals increase defence spending by almost SEK 2 billion this year. The Debt Office further assumes that expenditure on defence will be SEK 8 billion higher next year, as a result of the Government's stated intentions to eventually increase defence appropriations to 2 per cent of GDP. Defence expenditure in 2023 is included in the Debt Office's assumption on unfunded measures (see the In-depth part).

Expenditure for migration, mainly in light of the influx of refugees from Ukraine, is expected to reach SEK 7 billion this year and approximately SEK 6 billion next year. Of these costs, however, SEK 6 billion is assumed to be deducted from Sweden's aid budget this year, and SEK 4 billion deducted next year. In total, expenditure for migration and international aid is therefore revised up by SEK 2 billion per year in 2022 and 2023.

Expenditure for social insurance is expected to be higher this year than in the previous forecast. This is the result of increased costs for compensation for high sick-pay costs, higher expenditure for the temporary parental benefit and the pregnancy benefit, and a temporary supplemental amount to the housing benefit for eligible families with children. In addition, the proposed guarantee supplement for the housing supplement for pensioners means that expenditure will be approximately SEK 4 billion higher this year and over SEK 9 million higher next year.

Labour-market expenditure is revised down by almost SEK 4 billion this year and marginally so next year, compared with the February forecast. Expenditure for the unemployment contributions and costs for labour-market policy measures are expected to be lower during the forecast period. The number of unemployed registered with the Swedish Public Employment Service is assumed to be lower than in the February forecast (See more in Chapter 1.)

In-depth

Expenditure in the 2022 Spring Amending Budget and extra amending budgets

The Government presented the economic Spring Budget Bill and Spring Amending Budget for 2022 to the Riksdag on 19 April. Since the Debt Office's previous forecast, in February, three additional extra amending budgets have been presented. The Riksdag is expected to decide on the Spring Amending Budget in June, after preparation by the Committee on Finance.

Therefore, several different components have an aggregate effect on the fiscal policy. The Government proposed unfunded measures of SEK 31.4 billion in the Spring Amending Budget, which are to be added to the measures of approximately SEK 4 billion that were decided on since the previous forecast in February. Since the Riksdag made its decisions on the budget for 2022 in November of last year, the subsequent amending budgets include almost SEK 64 billion in additional measures.

Additional Government proposals were presented in April for a support package to agricultural companies and fisheries because of Russia's invasion of Ukraine. The aid amounts to approximately SEK 2 billion. Parts of the aid package require approval from the European Commission.

Crisis focus on new unfunded measures in the Spring Budget Bill

The majority of the SEK 35.4 billion proposed in the Spring Budget Bill and extra amending budgets since the Debt Office's last forecast are for crisis-related measures, which are partly due to Russia's invasion of Ukraine and partly to the pandemic. Almost two-thirds of the measures are related to defence, migration, and continued management of the pandemic.

The Government's proposals altogether entail an increase in expenditure for compensation and migration-related housing costs of SEK 9.8 billion, and the civil and military defence is strengthened by a total of SEK 2.8 billion. A decision has also been made to provide support for, and equipment to, Ukraine for approximately SEK 1.1 billion. Expenditure for the continued management of the pandemic in the form of, for example, high sick-pay costs and additional funds for vaccination amounts to around SEK 7 billion.

Greater uncertainty about other measures

In addition to the crisis-related measures, a guarantee supplement to the housing supplement for low-income pensioners and further funds for the climate bonus are examples of larger proposals in the Spring Budget Bill. Together with the proposal of a temporarily raised housing benefit for families with children, these reforms amount to almost SEK 9 billion. Given the parliamentary situation, the Debt Office assesses the uncertainty in regard to these measures to be higher than that pertaining to the crisis-related measures. Yet, in light of the fact that the opposition's proposal contains increases in expenditure too, the Debt Office's overall assessment is that social insurance expenditure will likely be substantially higher than in the previous forecast, even if the Government's guarantee supplement is not adopted.

Altogether, the Debt Office assumes that approximately SEK 32 billion of the budgeted SEK 35 billion will be used. The partial use is mainly due to the Debt Office's assumption that migration costs will be lower. This is because the Swedish Migration Agency's latest forecast of migration costs, which was published after the Spring Budget Bill, indicates lower costs than the Government calculated in the budget. For next year, the Debt Office has an unchanged assumption of SEK 40 billion in unfunded fiscal policy measures.

High dividends on state-owned shares both this year and next

Dividends on state-owned shares become unusually high this year and next year, even though they decrease between the two years. The high dividends are mainly due to significantly higher dividends from Vattenfall and LKAB. Dividends on state-owned shares per year are presented in Table 16 of the Appendix.

Compared with the previous forecast, the Debt Office has revised up dividends on state-owned shares by SEK 5 billion for 2022, and by SEK 3 billion for 2023. The change for this year is mostly because the dividend from LKAB was higher than assumed in the previous forecast. But state dividends paid out next year, particularly from LKAB, are expected to be higher as well.

Debt Office net lending has positive effect in 2022 and 2023

Net lending by the Debt Office contributes positively to the budget balance both this year and the next. This is mainly because the Riksbank is repaying loans, as they mature, that were raised on its behalf by the Debt Office for financing the foreign exchange reserves. In total, SEK 61 billion in loans are being paid back by the Riksbank in February, March, and October of this year. Next year, loans to the Riksbank mature for a total of SEK 64 billion in February and April. Excluding on-lending, the net lending has a slightly positive effect on the budget balance in 2022, which shifts to a minor negative effect in 2023 (see Table 6).

Table 6. Net lending by the Debt Office per year

SEK billion

Net lending	2021	2022	2023
Lending, of which	**-33**	**-53**	**-46**
Swedish Board of Student Finance	12	12	12
Swedish Transport Administration	-2	3	1
State-owned companies	0	-8	0
On-lending to the Riksbank	-57	-61	-64
Other	13	2	4
Deposits, of which	**41**	**16**	**12**
Swedish Board of Student Finance, credit res. etc.	1	1	2
Resolution reserve	4	4	4
Premium pension, net[1]	4	-4	-4
Other	32	14	10
Net lending	**-74**	**-69**	**-58**
Net lending excluding on-lending to the Riksbank	**-17**	**-7**	**6**

Note: [1] Premium pension refers to the net of paid-in pension fees, disbursement of funds, and other management costs.

Since the Debt Office's previous forecast, in February, net lending has been just over SEK 8 billion lower than forecast. This is essentially due to deposits from Svenska Kraftnät being unusually high, as a result of an influx of capacity fees arising from price discrepancies between adjacent electricity price zones, called bidding zones, either within Sweden or between Sweden and other countries. The inflow of deposits is expected to remain high this year. The Debt Office has revised down net lending by SEK 7 billion this year, compared with the February forecast. Next year the Debt Office's net lending is around SEK 2 billion lower, once again because of deposits from Svenska Kraftnät.

Altogether, net lending by the Debt Office is expected to amount to SEK -69 billion in 2022 and SEK -58 billion in 2023 (see Table 6). See the part below for a description of the effect of net lending by the Debt Office on central government finances.

Facts

Facts about Debt Office net lending – a special expenditure item

Net lending by the Debt Office to government agencies and other parties is an item on the expenditure side of the central government budget. This means that increased net lending by the Debt Office weakens the budget balance. This can also be expressed by saying that the net borrowing requirement increases.

Net lending to government agencies and other parties is not financed by appropriations and does not come under the expenditure ceiling. It consists of the change in all lending and depositing in the central government's internal bank (treasury), at the Debt Office. Net lending covers ongoing central government activities – such as student loans, deposits in the premium pension system and lending to infrastructure investments – as well as items such as on-lending to the Riksbank and other countries. These items may be decided at short notice, and they can contribute to strong variations in net lending from year to year.

Net lending by the Debt Office affects the budget balance and central government debt. In contrast, central government net lending is only affected by certain parts of the Debt Office's net lending. For example, the payment and amortisation of student loans affect net lending by the Debt Office but not central government net lending.

Slightly higher interest payments

Since the February forecast, market interest rates have risen, which mainly affects interest (coupon) payments through lower premiums when the Debt Office issues bonds. The premium arises when the coupon on the bond being issued is higher than the market rate at the time of sale. The forecast is thus revised up by approximately SEK 4 billion during the period. This year, payments of interest are expected to amount to just over SEK 17 billion, and in 2023 to just over SEK 6 billion (see Table 7).

Table 7. Interest payments on central government debt

SEK billion

Interest payments on central government debt	**2022**	**2023**
Interest on loans in SEK	12.6	6.1
Interest on loans in foreign currency	-0.5	-0.5
Realised currency gains and losses	5.1	0.8
Interest on central government debt	**17.3**	**6.4**

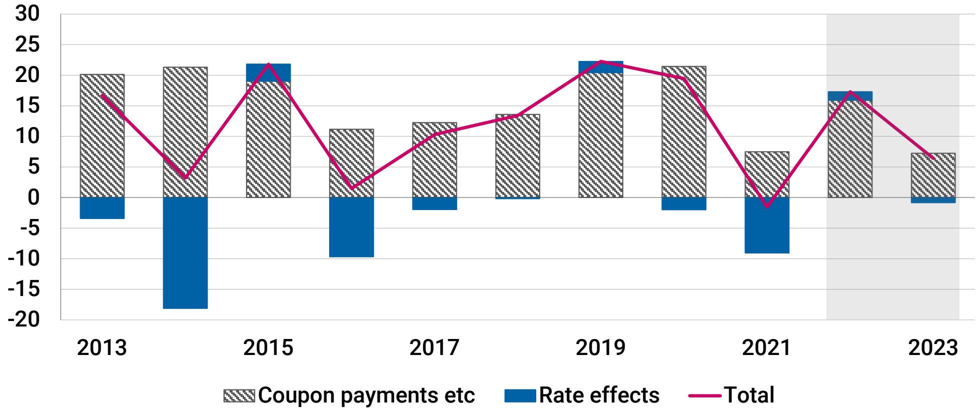
Source: The Debt Office.

Between 2022 and 2023, interest payments on central government debt decrease by around SEK 11 billion (see Figure 17). This is mainly due to a bond with a relatively high nominal yield maturing in 2022, and therefore coupon payments are somewhat lower next year. This year the Debt Office is also paying out inflation compensation for an inflation-linked bond that is maturing. In 2023, no inflation-linked bonds are maturing and the corresponding effect does not occur. The realised foreign exchange losses are also lower in 2023.

The Debt Office uses cut-off rates in calculating central government interest payments and in measuring the Riksbank's foreign currency loans. The cut-off date for this forecast was 29 April 2022.

Figure 17. Interest payments 2013–2023

SEK billion



Source: The Debt Office.

With higher inflation and lower growth, budget balance's development is largely uncertain

The uncertainty about the economic development and inflation has increased, among other things as a result of Russia's invasion of Ukraine. Altogether, the risk of lower growth and higher inflation is considered to be higher than the risk of the contrary (see Chapter 1). How the budget balance will be affected is difficult to assess though.

Even if the lower growth would mean, for example, that household consumption would decrease volume-wise, the increase in prices would mean that nominal consumption – the tax base – would go up. One direct effect of higher inflation than forecast is higher income from VAT. Another example of tax income that is affected in time is the standard tax on interest income, which increases in pace with inflation affecting interest rates.

Central government expenditure will also increase through, for instance, more expensive purchases, rent costs, and expenditures that are indexed. The cost of interest payments on central government debt increases as well. At the same time, capital placements in tax accounts are affected by higher inflation via the interest rate trend. The net effect of the increased rate of inflation on the budget balance has been positive from a more short-term perspective, but future developments remain difficult to assess. Nevertheless, the Debt Office's assessment is that the effect in the longer term, not necessarily within the forecast horizon, will be negative for the central government.

The way in which capital placements in tax accounts will develop remains highly uncertain. The Debt Office now assumes that a large outflow will occur this year and the next, compared with the previous forecast – in which an inflow this year and a smaller outflow next year were assumed. The risk of the outflow occurring even more quickly than assumed is greater than that of the contrary. As previously, the assessment of deposits in, and withdrawals from, tax accounts is associated with considerable uncertainty. Furthermore, the available statistics on deposits in tax accounts are difficult to interpret because they do not elucidate the extent to which the deposits are capital placements.

Higher inflation also affects the budget balance indirectly through, for example, higher energy prices and Svenska Kraftnät's revenue from capacity fees. Svenska Kraftnät's deposits are expected to be significantly higher this year and next year as well. If energy prices remain high longer than forecast, the inflow is expected to be large in periods ahead as well, leading to a higher budget balance. At the same time, the revenue from capacity fees is earmarked for investments that are for maintaining or increasing capacity between bidding zones. Therefore, in the longer term, a corresponding outflow is expected when those investments materialise.

The war in Ukraine also entails further uncertainty about central government expenditure for migration and defence. All in all, the uncertainty in regard to the budget balance is judged to be greater than it has been previously.

Increased short-term borrowing

In the new forecast of the central government budget balance, the government borrowing requirement decreases compared with the previous forecast. Therefore, in keeping with the Debt Office's strategy of first adapting the short-term borrowing, we are increasing the volume of treasury bills accordingly. In addition, the Debt Office is planning to issue a new foreign-currency bond in 2022. The plan for the issuance volumes of nominal and inflation-linked bonds remains unchanged. Since the budget balance is still positive, the central government debt continues to decrease.

The revision of the budget balance means that the central government's net borrowing requirement will increase by SEK 52 billion, in total, over 2022 and 2023, compared with the previous forecast. The total borrowing requirement, which also includes the refinancing of maturing loans, increases by SEK 73 billion over both years and is expected to amount to SEK 267 billion in 2022 and SEK 286 billion in 2023 (see Figure 18). Table 8 and Figure 19 show how the borrowing requirement is financed.

Table 8. Borrowing plan

SEK Billion

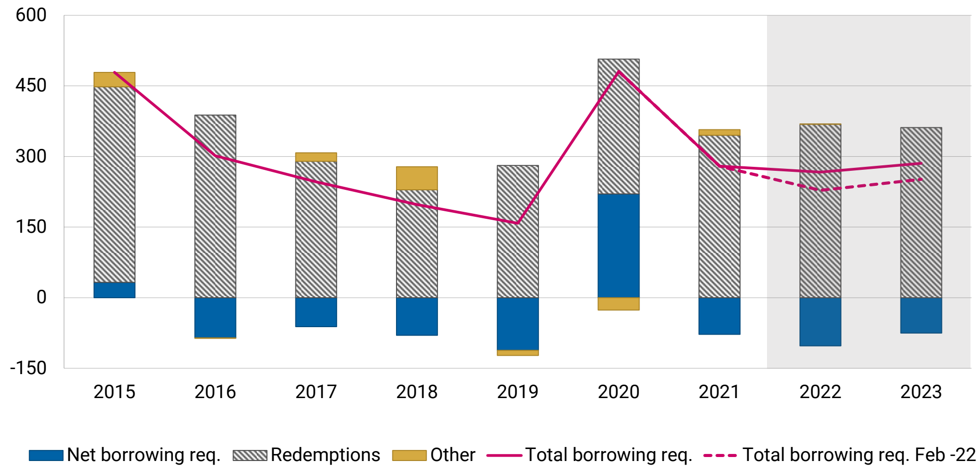
	2021	2022		2023	
	Outcome	May	*(Feb)*	May	*(Feb)*
Money market funding	**176**	**192**	**(173)**	**237**	**(203)**
T-bills	107	83	(65)	103	(65)
Liquidity management	68	110	(108)	135	(138)
Bond funding	**103**	**75**	**(55)**	**49**	**(49)**
Nominal government bonds	83	46	(46)	40	(40)
Inflation-linked bonds	21	9	(9)	9	(9)
Green bonds	0	0	(0)	0	(0)
Foreign currency bonds	0	20	(0)	0	(0)
on behalf of the Riksbank	0	0	(0)	0	(0)
Central Government	0	20	(0)	0	(0)
Total gross borrowing	**279**	**267**	**(228)**	**286**	**(252)**

Note: Borrowing in the money market corresponds to outstanding stock at year-end.

In the new borrowing plan, the Debt Office is raising the issuance volumes of treasury bills, while the volume for borrowing in nominal and inflation-linked bonds remains unchanged. This is in line with the Debt Office's strategy of initially meeting an increased borrowing requirement with short-term borrowing, and, thereafter, adapting the bond borrowing in kronor if the higher borrowing requirement continues.

Figure 18. Gross borrowing requirement

SEK billion



Note: 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.

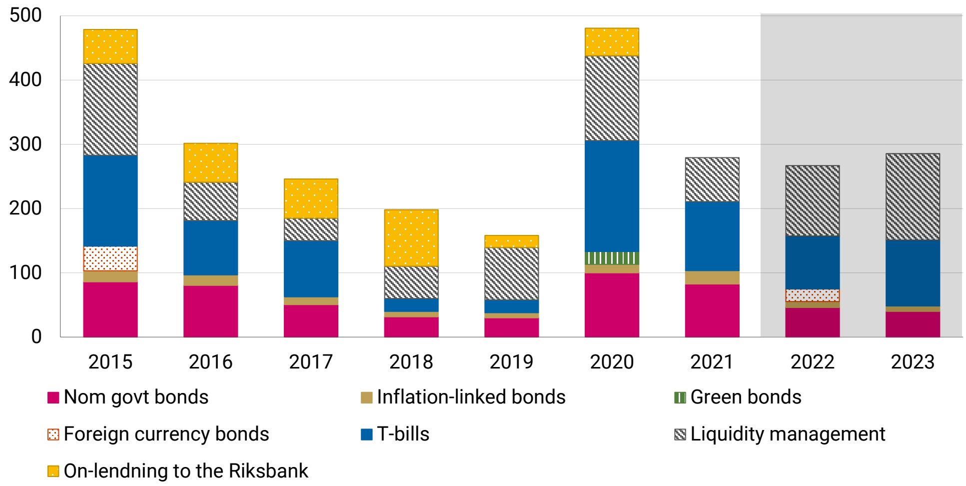
Source: The Debt office.

Another change made to the borrowing plan from February is that the Debt Office now plans to issue a bond in foreign currency in 2022. Foreign-currency bonds are a complement to the Debt Office’s other debt instruments and are included in the borrowing plan because they provide a flexible form of borrowing. In order to maintain preparedness, the Debt Office endeavours to carry out issues with a certain amount of regularity in the international market – either in bonds or commercial paper. The policy for using different debt instruments is described in the Facts box on page 39. If the borrowing requirement were to become larger than forecast, the Debt Office is prepared for increasing borrowing in all types of debt instruments.

As in the previous forecast, the plan does not contain new issuance of green bonds. Any further issuance of green bonds is, in accordance with the bond framework, conditional on the Government selecting specific eligible budget expenditures to which the bond proceeds will be linked. Moreover, the conditions for issuing green bonds need to be assessed on the basis of the overall borrowing plan and the development of the borrowing requirement.

Figure 19. Borrowing by instrument

SEK billion



Note: Borrowing per calendar year. The amount of treasury bills and liquidity management instruments refers to outstanding stock at year-end.

Source: The Debt Office.

Unchanged supply of nominal government bonds

The plan for issuing nominal government bonds is unchanged since the previous forecast. This entails SEK 2 billion per auction after the summer of 2022 and for the rest of the forecast period. The annual issuance volume of nominal government bonds thus remains at SEK 46 billion in 2022 and SEK 40 billion in 2023. On 4 May, a new ten-year bond was introduced. The introduction, as previously communicated, is followed by two larger auctions and one switch-auction.

Table 9. Important dates

Date	Time	Activity
1 Jun 2022	11:00	Larger auction volume SGB 1065
2 Jun 2022	11:00	Switch to SGB 1065
27 Oct 2022	09:30	Central Govt. Borrowing Report 2022:3

Table 10. Reference bonds

Date of change (IMM date)	2-year	5-year	10-year
Current	1057	1059	1056
15 June 2022	1058	1060	
21 Dec 2022			1065

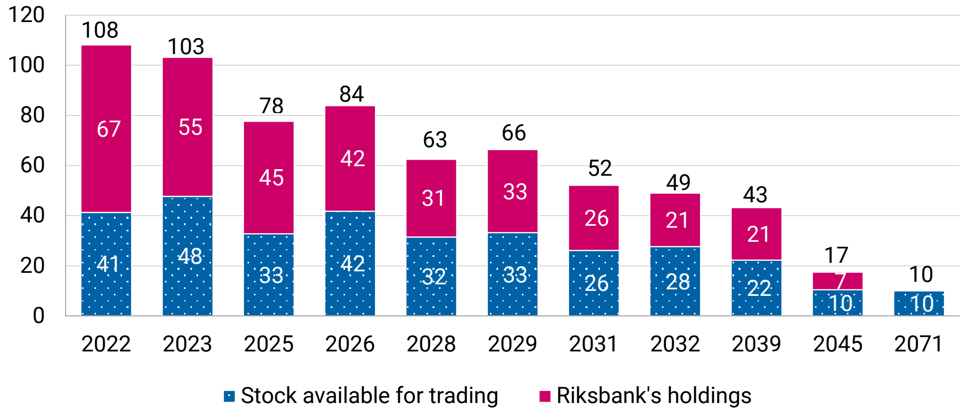
As in the February forecast, the Debt Office intends to carry out the majority of the auctions in the ten-year segment. Additionally, issues are planned for the two-year and five-year reference bonds. The Debt Office's strategy is to be transparent and predictable in the borrowing, with a focus on issuance of reference bonds. In the new borrowing plan, there is a limited capacity for issuing other bonds.

The Riksbank owns a large portion of the outstanding stock of government bonds; the share of nominal government bonds is shown in Figure 20. The Riksbank has communicated that the holding of government bonds and other securities will gradually decrease starting in the second half of this year. The Riksbank's purchases of government bonds (both nominal and inflation-linked) have, together with a low supply from the Debt Office, and regulations, contributed to a continual deterioration of liquidity in the secondary market in recent years. In the Riksbank's latest Financial Markets Survey, published in May, over 65 per cent of respondents perceived liquidity to be poor or very poor. This perception is in line with the results of the Debt Office's survey that was published in February, in which, for example, more than every other primary dealer gave the lowest rating of 1 on a scale of 1 to 5.

A well-functioning market with good liquidity is an important factor for attracting investors and keeping down the cost of the central government debt. If liquidity deteriorates too much, there is a risk that some investors will leave the market. The Debt Office contributes to a well-functioning market through transparent and predictable borrowing and market-maintaining facilities.

Figure 20. Outstanding stock of nominal government bonds and the Riksbank's holdings

SEK billion



Sources: The Riksbank and the Debt Office.

Facts

Borrowing policy forms basis of issuance planning

The Debt Office maintains a borrowing policy for, among other things, which types of debt instruments are used and how priorities are made between instruments and between maturities.

Nominal government bonds: the most important source of funding

Nominal government bonds are the Debt Office's largest and most important funding source. These are therefore prioritised in the borrowing over other instruments. The Debt Office offers regular issues through auctions according to a pre-determined borrowing plan. Selling smaller volumes on many occasions reduces the risk of needing to borrow large volumes at times when market conditions are unfavourable. At the same time, investors are offered continual access to government bonds via the primary market.

An important part of the strategy for minimising borrowing costs over the long term is to act in a predictable manner and to build up sufficient volume in certain prioritised maturities to ensure good liquidity. This means that the Debt Office adjusts the borrowing in government bonds to short-term conditions in the market only to a limited extent.

The Debt Office also endeavours to maintain relatively even maturities (redemptions) in its stock of bonds, in terms of both size and time.

Inflation-linked bonds are complement to nominal bonds

By issuing inflation-linked bonds, the Debt Office can attract investors that want to protect themselves against inflation. The inflation-linked bond issuance should be large enough to enable liquid trading conditions in these bonds, yet not so large that it crowds out nominal bonds and worsens liquidity conditions in that market.

For inflation-linked bonds as well, the Debt Office also regularly issues by auction and strives for even maturities. In order to facilitate reinvestment at maturity, the Debt Office endeavours to limit the outstanding volume of maturing bonds by offering switches to longer bonds.

Bonds in foreign currency contribute to good borrowing preparedness

In the international capital market, the Debt Office is able to reach a larger group of investors and borrow large amounts in a short span of time. There are therefore reasons for issuing bonds in foreign currency even when the borrowing requirement is low, in order to maintain the preparedness to borrow large amounts as necessary. The Debt Office also issues securities with shorter maturities in foreign currency.

Because the Debt Office is a small player in the international capital market, as opposed to its status in the Swedish krona market, there are greater opportunities for flexibility and adapting the borrowing according to prevailing market conditions in the international arena.

Treasury bills to balance fluctuations in borrowing requirement

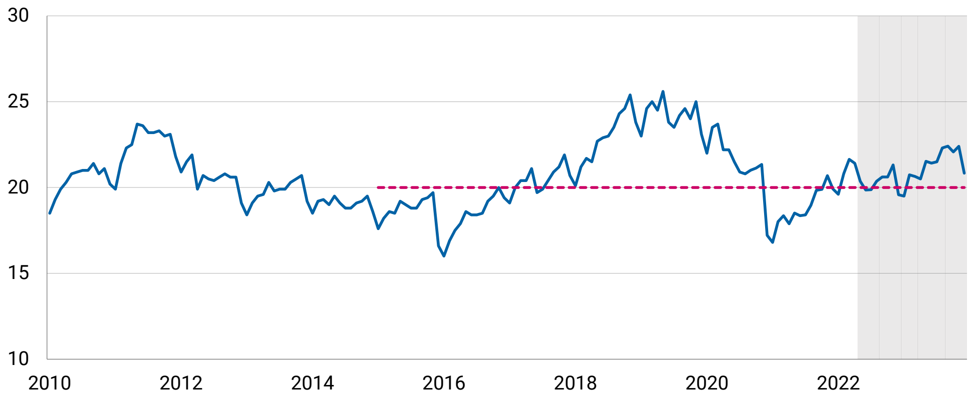
Using T-bills, the Debt Office can borrow in short maturities in the Swedish krona market. Treasury bills are issued regularly through auctions and can also be sold through tap issues within the liquidity management operations. T-bills are used primarily to balance fluctuations in the borrowing requirement. This helps maintain stability in government bond borrowing.

Supply of inflation-linked bonds also remains unchanged

The planned volume of inflation-linked bonds remains the same as in the February forecast, at SEK 9.25 billion in total for 2022 and SEK 8.5 billion for 2023. The issuance volume per auction remains at SEK 500 million.

Figure 21. Share of inflation-linked debt

Per cent of total central government debt



Note: The forecast shows figures for the end of each month while the outcome shows the monthly average. The dashed line shows the long-term objective for the share of inflation-linked debt. The share is calculated at the nominal amount using the current exchange rate including accrued inflation compensation.

Source: The Debt Office.

The Debt Office has previously communicated a planned introduction of a new ten-year inflation-linked bond in the second half of 2022. That introduction is now rescheduled for 2023. The Debt Office sees a need for prioritising issuance of already outstanding bonds, given the limited issuance volume in the current plan. Accordingly, the Debt Office is postponing the introduction of the new bond.

Under the government guidelines, the proportion of inflation-linked debt is to be 20 per cent of the total central government debt in the long term. Several factors affect the development of the inflation-linked debt share, such as issuance volume, planned switches, inflation-linked bonds maturing, and the size of the central government debt. The continual market-maintaining switches also affect the inflation-linked debt share. Next year, however, the share is slightly above the target because there are no maturing inflation-linked bonds at the same time as the debt goes down and the borrowing remains unchanged (see Figure 21). The next inflation-linked bond maturity occurs only in 2025, after which there are maturities several years in a row, which contributes to the inflation-linked debt share decreasing again.

Debt Office is issuing a foreign-currency bond

In 2022, the Debt Office plans to issue a bond in foreign currency, equivalent to SEK 20 billion. In the previous plan, the issue was cancelled in favour of the krona borrowing when, at the beginning of the year, it appeared that the borrowing requirement was becoming lower. That issue has now been restored to the plan. Loans in foreign currency contribute to good borrowing preparedness and the possibility of increasing the borrowing quickly (see the Facts box on the borrowing policy on page 39).

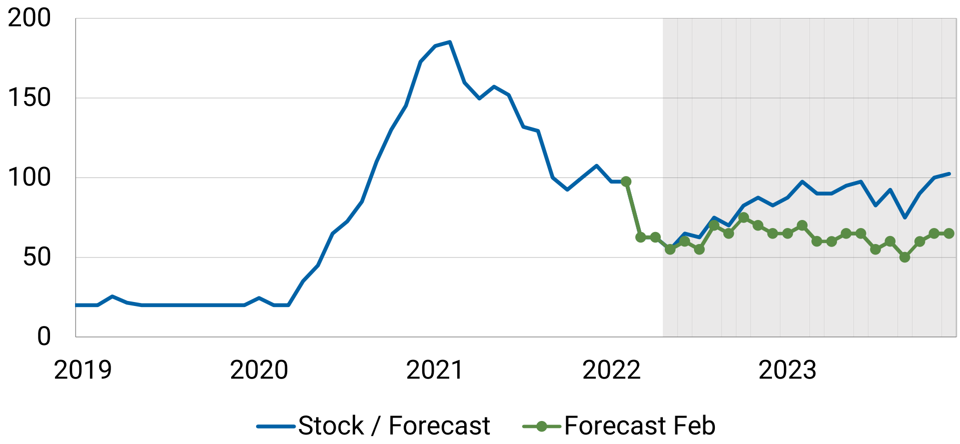
The borrowing in foreign currency does not affect the currency exposure of the central government debt, because the Debt Office manages the currency exposure with derivatives.

Stock of treasury bills increases again

The planned issuance volume per issue of treasury bills is around, SEK 12.5 billion in 2022 and SEK 15 billion in 2023, but it may vary depending on seasonal patterns. This can be compared with SEK 10 billion per issue in the previous forecast. The treasury bills that will be issued will have maturities of three and six months (see the Facts box on the policy for treasury bills, on page 43).

Figure 22. Stock of T-bills

SEK billion



Source: The Debt Office.

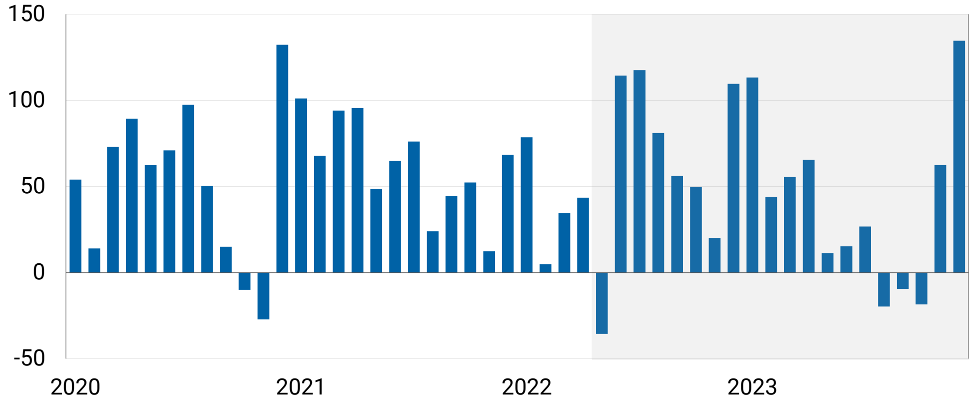
The stock of T-bills thereby increases to SEK 83 billion at the end of 2022 and SEK 103 billion at the end of 2023 (see Figure 22). This can be compared with SEK 65 billion for each year in the previous forecast.

The Debt Office plans the volumes of individual auctions of treasury bills according to seasonal patterns in the central government's payments as well as maturity dates. The Debt Office can then make further adjustments as necessary ahead of every individual auction, depending on the outcome of the payments. This means, as usual, that the planned volumes the Debt Office publishes in the upcoming-auction schedule on the website may be altered when decisions are made one week before an auction. Doing so allows the Debt Office to adapt the borrowing to changes in the borrowing requirement.

The borrowing requirement remaining after the regular issues of treasury bills and government bonds is financed within the liquidity management operations. These activities include, for example, the Debt Office issuing T-bills continually (tap issues) and commercial paper in foreign currency. The volume of liquidity management instruments in the plan is at essentially the same level as it was in the previous forecast. The borrowing within liquidity management is continually adjusted to the development of the budget balance and the regular borrowing (see Figure 23).

Figure 23. Liquidity management

SEK billion



Note: Nominal amount including assets under management. Positive amounts indicate borrowing requirement, negative amounts indicate cash surplus.

Source: The Debt Office.

Facts

Maturity policy for treasury bills

Since June of 2020, the Debt Office increased the number of outstanding maturities in treasury bills in order to meet the growing borrowing requirement during the pandemic. The change meant that the number of T-bills increased from four to six, with the longest maturities being nine and 12 months. As the borrowing requirement is now at a lower level, the Debt Office is reverting to the previous policy.

Starting in June of this year, the Debt Office intends to issue only treasury bills with a maturity of up to six months. This entails a gradual return to the number of outstanding T-bills being four. The issues will continue at their current frequency, which is every other week.

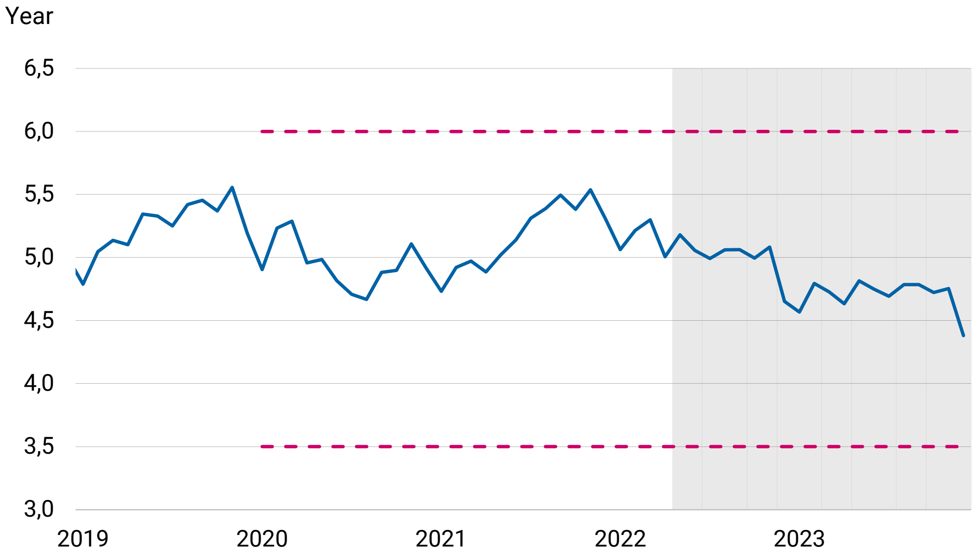
The policy involves the Debt Office issuing a new six-month bill every three months maturing on an IMM date (the third Wednesday in March, June, September, and December). In the other months, a new three-month bill is introduced.

The Debt Office also continually issues treasury bills on a discretionary basis (tap issues) within the liquidity management operations. This applies to T-bills with the two shortest maturities and with tailored maturities (liquidity bills).

Unchanged volume of interest rate swaps

As communicated in the previous Central Government Borrowing report, the Debt Office expects an unchanged volume of SEK 5 billion in interest rate swaps, and the average maturity is around seven years. The Debt Office plans to include swaps with maturities of up to 12 years. For 2023, the volume of swaps is expected to increase to SEK 10 billion with an average maturity of around seven years. The swaps are spread out relatively evenly over the year but also taking into account flexibility from a business point of view in terms of timing and maturity. The Debt Office may deviate from the planned volume if conditions change during the year.

Figure 24. Central government debt duration



Note: Term to maturity is measured using the Macaulay duration. The forecast shows figures for the end of each month while the outcome shows the monthly average. The dashed lines indicate the steering interval in the Government's guidelines for debt management.

Source: The Debt Office.

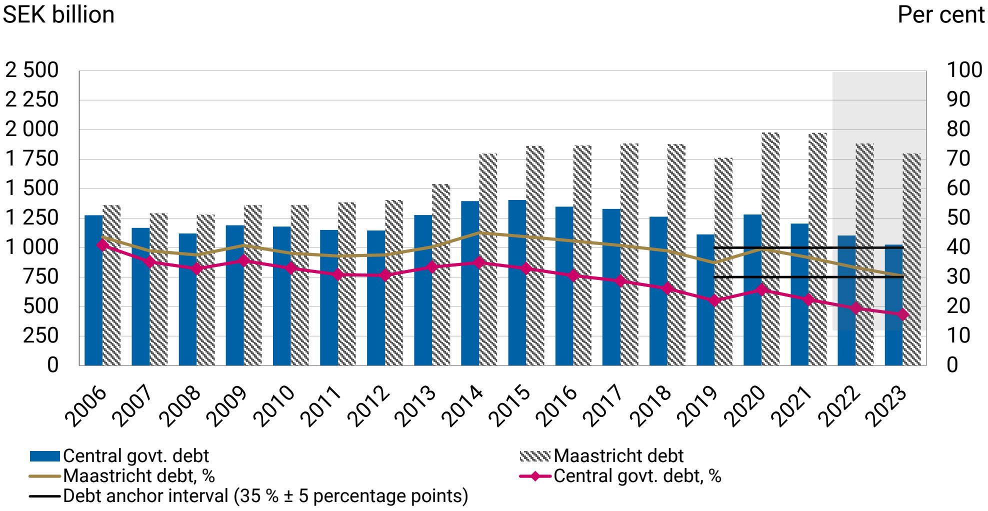
The Debt Office uses interest rate swaps to adjust the interest-rate refixing period (duration) of the central government debt. The development of the duration of the central government debt is shown in Figure 24.

Central government debt continues to decrease

At the end of 2021, the debt amounted to SEK 1,204 billion, corresponding to 22 per cent of GDP. It is now expected to decrease to SEK 1,103 billion in 2022 and SEK 1,026 billion in 2023 (see **Error! Reference source not found.** and Figure 25). T he central government debt thereby ends up at 17 per cent of GDP at the end of the forecast period.

The Maastricht debt is expected to decrease from 37 per cent of GDP at the end of 2021, to 33 per cent in 2022 and 30 per cent in 2023. The Maastricht measure includes the consolidated debt for the entire public sector and is used in international comparisons (see the Facts box below). This is also the measure referred to for the debt anchor of 35 per cent of GDP (±5 percentage points) in the fiscal policy framework.

Figure 25. Government debt – development over time



Source: National Institute of Economic Research and the Debt Office.

Facts

Different measures of government debt

There are different ways of measuring government debt. The Debt Office reports the central government unconsolidated debt. This measure shows the central government gross debt and includes all loans raised by the Debt Office on behalf of the central government, irrespective of who owns the claims on the state. The debt is reported at its nominal terminal value according to the principles applied in the EU.

Some government agencies own government bonds and treasury bills. This kind of intragovernmental ownership is deducted in the central government consolidated debt. That measure provides an overall picture of the financial position of the central government and is used in the Budget Bill and the annual report for the central government. The central government consolidated debt is calculated by the Swedish National Financial Management Authority (ESV).

One debt measure often used in international comparisons is general government consolidated gross debt, which is also called the Maastricht debt. This debt is larger than the central government debt as it covers the whole of the public sector, including local and regional governments and the pension system. Its calculation is based on conditions in the Maastricht Treaty. According to the EU's criterion, the Maastricht debt must not exceed 60 per cent of GDP.

The Maastricht debt is also the measure used in Sweden's budgetary framework and which forms the basis of the debt anchor of 35 per cent that by the Riksdag's (Parliament) decision has been in force from 2019. General government consolidated gross debt is published by Statistics Sweden.

Table 11. From net borrowing requirement to central government debt

SEK billion

	2019	2020	2021	2022	2023
Net borrowing requirement	-112	221	-78	-102	-75
Business day adjustment etc. [1]	-15	-25	7	1	0
Net borrowing per business day	**-127**	**196**	**-71**	**-101**	**-75**
A. Net amount including money-market assets	**1,033**	**1,229**	**1,159**	**1,057**	**982**
Inflation compensation	26	18	24	33	39
Exchange-rate effects	26	-4	6	8	0
B. Net amount to current exchange rate incl. inflation compensation	**1,085**	**1,243**	**1,189**	**1,098**	**1,021**
Assets under management	28	38	15	5	5
C. Central government debt	**1,113**	**1,280**	**1,204**	**1,103**	**1,026**
Assets under management	-28	-38	-15	-5	-5
On-lending	-193	-174	-127	-71	0
D. Central government debt incl. on-lending and assets under management	**893**	**1,069**	**1,063**	**1,028**	**1,021**
Nominal GDP	5,051	4,987	5,383	5,670	5,925
C. Central government debt, % of GDP	**22**	**26**	**22**	**19**	**17**
D. Central government debt incl. on-lending and money-market assets, % of GDP	**18**	**21**	**20**	**18**	**17**

[1] A difference occurs as borrowing is reported by business day (trade date) while net borrowing requirement is reported by settlement date.

Appendix of Tables

Table 12. Central government net lending

SEK billion

Central government net lending	2019	2020	2021	2022	2023
Budget balance	**112**	**-221**	**78**	**102**	**75**
Delimitations	**-49**	**43**	**-129**	**-81**	**-78**
Sale of limited companies	0	0	0	-1	0
Extraordinary dividends	0	0	0	-12	0
Parts of Debt Office's net lending	-67	31	-72	-67	-56
Other	18	12	-57	-1	-23
Accruals	**7**	**42**	**-10**	**-36**	**14**
Taxes	0	34	-3	-33	17
Interest payments etc.	7	9	-8	-3	-3
Central government net lending	**69**	**-135**	**-62**	**-14**	**10**
Per cent of GDP	**1.4**	**-2.7**	**-1.1**	**-0.3**	**0.2**

Table 13. Budget balance forecast per month

SEK billion

Month	Primary balance	Net lending	Interest on government debt	Budget balance
May-22	78.4	-2.0	-2.0	74.3
Jun-22	-32.0	6.1	-8.4	-34.3
Jul-22	-6.6	5.6	0.5	-0.5
Aug-22	24.0	4.6	0.2	28.7
Sep-22	-4.5	2.6	-0.5	-2.4
Oct-22	-15.5	25.3	0.6	10.4
Nov-22	20.2	4.3	-3.2	21.3
Dec-22	-42.8	-44.5	-1.7	-89.0
Jan-23	-15.7	2.7	1.5	-11.4
Feb-23	49.8	28.3	0.7	78.8
Mar-23	-14.8	4.4	-1.0	-11.4
Apr-23	-16.6	42.6	0.5	26.5

Table 14. Budget balance changes between years, effect on budget balance

SEK billion

Budget balance changes between years, effect on budget balance	2019	2020	2021	2022	2023
Budget balance, level	**112**	**-221**	**78**	**102**	**75**
Change from previous year	32	-333	298	24	-27
Primary balance	**-33**	**-239**	**176**	**48**	**-27**
Income from taxes	2	-72	191	56	-24
Grants to local governments	-9	-38	5	-4	8
Labour market	7	-7	-4	4	1
Social insurance	-5	-26	-1	-1	10
Sale of state-owned assets	-2	0	0	1	-1
State share dividends	0	4	-1	29	-16
EU contribution	0	-11	-2	3	4
Other	-27	-88	-13	-39	-11
Debt Office's net lending excl. on-lending	**-5**	**-23**	**38**	**-10**	**-13**
On-lending	**78**	**-73**	**63**	**5**	**2**
Interest on government debt	**-9**	**3**	**21**	**-19**	**11**

Table 15. Budget balance forecast comparison

SEK billion

Forecast	Budget balance	Sale of state assets	Adjusted budget balance
Debt Office (24 May)			
2022	102	1	101
2023	75	0	75
Government (19 April)			
2022	88	5	83
2023	117	5	112
NIER (30 March)			
2022	97	0	97
2023	137	0	137
ESV (25 March)			
2022	77	0	77
2023	147	0	147

Table 16. State share dividends

SEK billion

Company	2021	2022	2023
Akademiska hus AB	2.1	2.5	2.6
LKAB	5.9	12.4	10.5
Telia Company AB	3.2	3.3	3.4
Vattenfall AB	4.0	23.4	10.0
Sveaskog AB	0.9	1.3	1.3
Other companies	1.3	3.5	3.1
Total	**17.4**	**46.4**	**30.9**

Table 17. Total borrowing requirement, gross

SEK billion

	2019	2020	2021	2022	2023
Net borrowing requirement	**-112**	**221**	**-78**	**-102**	**-75**
Business day adjustment etc. [1]	**-15**	**-25**	**7**	**1**	**0**
Retail borrowing & collateral, net [2]	**4**	**-2**	**5**	**0**	**-1**
Money market redemptions [3]	**70**	**101**	**305**	**176**	**192**
T-bills	20	20	173	107	83
Liquidity management	50	81	132	68	110
Bond redemptions, net switches and buy-backs	**211**	**185**	**40**	**192**	**170**
Nominal government bonds	99	96	0	108	103
Inflation-linked bonds	25	19	-1	22	3
Green bonds	0	0	0	0	0
Foreign currency bonds[4]	87	70	41	61	64
Total gross borrowing requirement	**158**	**481**	**279**	**267**	**286**

[1] A difference occurs as borrowing is reported by business date while net borrowing requirement is reported by settlement date.

[2] Net change in retail borrowing and collateral.

[3] Initial stock maturing within 12 months. Liquidity management is net, including assets under management. Commercial paper is included in Liquidity management.

[4] Calculated with the original issuance exchange rate.

Table 18. Net borrowing requirement and net borrowing

SEK billion

	2019	2020	2021	2022	2023
Net borrowing requirement	-112	221	-78	-102	-75
Business day adjustment [1]	-15	-25	7	1	0
Net borrowing requirement	**-127**	**196**	**-71**	**-101**	**-75**
Retail funding & collateral, net	**-4**	**2**	**-5**	**0**	**1**
Net money market funding	**31**	**203**	**-129**	**16**	**45**
T-bills	0	153	-65	-25	20
Commercial paper	0	31	-31	0	0
Liquidity management	31	19	-32	41	25
Net bond market funding	**-154**	**-9**	**63**	**-117**	**-121**
Nominal government bonds	-69	4	83	-62	-63
Inflation-linked bonds	-17	-6	22	-13	6
Green bonds	0	20	0	0	0
Foreign currency bonds	-68	-27	-41	-42	-64
Total net borrowing	**-127**	**196**	**-71**	**-101**	**-75**

[1] A difference occurs as borrowing is reported by business date while net borrowing requirement is reported by settlement date.

Market information

Table 19. Nominal government bonds, auction dates

Announcement date	Auction date	Settlement date
25-May-22	01-Jun-22	03-Jun-22
05-May-22	02-Jun-22*	07-Jun-22
17-Aug-22	24-Aug-22	26-Aug-22
31-Aug-22	07-Sep-22	09-Sep-22
14-Sep-22	21-Sep-22	23-Sep-22
28-Sep-22	05-Oct-22	07-Oct-22
12-Oct-22	19-Oct-22	21-Oct-22
09-Nov-22	16-Nov-22	18-Nov-22
23-Nov-22	30-Nov-22	02-Dec-22
07-Dec-22	14-Dec-22	16-Dec-22

*Exchange auction

Table 20. Inflation-linked bonds, auction dates

Announcement date	Auction date	Settlement date
02-Jun-22	09-Jun-22	13-Jun-22
11-Aug-22	18-Aug-22	22-Aug-22
25-Aug-22	01-Sep-22	05-Sep-22
08-Sep-22	15-Sep-22	19-Sep-22
22-Sep-22	29-Sep-22	03-Oct-22
06-Oct-22	13-Oct-22	17-Oct-22
20-Oct-22	27-Oct-22	31-Oct-22
03-Nov-22	10-Nov-22	14-Nov-22
17-Nov-22	24-Nov-22	28-Nov-22
01-Dec-22	08-Dec-22	12-Dec-22

Table 21. Treasury bills, auction dates

Announcement date	Auction date	Settlement date
01-Jun-22	08-Jun-22	10-Jun-22
15-Jun-22	22-Jun-22	27-Jun-22
29-Jun-22	06-Jul-22	08-Jul-22
27-Jul-22	03-Aug-22	05-Aug-22
10-Aug-22	17-Aug-22	19-Aug-22
24-Aug-22	31-Aug-22	02-Sep-22
07-Sep-22	14-Sep-22	16-Sep-22
21-Sep-22	28-Sep-22	30-Sep-22
05-Oct-22	12-Oct-22	14-Oct-22
19-Oct-22	26-Oct-22	28-Oct-22
02-Nov-22	09-Nov-22	11-Nov-22
16-Nov-22	23-Nov-22	25-Nov-22
30-Nov-22	07-Dec-22	09-Dec-22
14-Dec-22	21-Dec-22	23-Dec-22

The Swedish National Debt Office is the central government financial manager and the national resolution and deposit insurance authority.
The Debt Office thus play an important role in the Swedish economy as well as in the financial market

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