

# Central Government Borrowing

## Forecast and analysis 2017:3

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In *Central Government Borrowing - forecast and analysis 2017:3* the Debt Office presents forecasts for central government finances and borrowing in 2017 up until 2019. An assessment of the economic development is given in the first section. The following section presents annual and monthly forecasts for the budget balance and the underlying analysis. These forecasts serve as the basis for borrowing, which is discussed in the last section of the report.

Hans Lindblad  
*Director General*



## The Debt Office's mission

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 while avoiding excessive risk.

In *Central Government Borrowing – Forecast and Analysis*, which is usually published three times a year, the Debt Office presents forecasts for central government finances in the coming two years. On the basis of these forecasts, the Debt Office estimates how much the government needs to borrow and sets up a plan for borrowing which is also included in the report.

On the fifth working day of each month, the central government budget balance (the net of all incoming and outgoing payments) is published for the previous month 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*.

# Summary

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*Strong growth of the Swedish economy means that the central government budget will show a surplus – a negative borrowing requirement – of SEK 28 billion this year, rising to SEK 47 and 55 billion in 2018 and 2019 respectively. The underlying development of the economy remains strong in the forecast period and the budget surplus increases gradually from year to year. The Budget Bill contains a number of reforms that would weaken the budget balance. But this is offset by rising tax income on account of the strong economic growth. Strong central government finances in the coming years lead to reduced borrowing in government bonds and inflation-linked bonds. The issue volume of government bonds is reduced to SEK 2 billion per auction and the volume of inflation-linked bonds to SEK 500 million per auction, while the issue volume of T-bills also is reduced.*

- Growth remains high in the Swedish economy, and this is largely explained by high investments. In the next few years growth is expected to decline as resource utilisation increases. GDP growth is expected to be 2.7 per cent this year and 2.5 and 1.7 per cent in 2018 and 2019.
- The labour force and employment have grown rapidly in the past year and are also expected to grow in the next few years, but at a slower rate. As the economy gradually grows slower, unemployment increases somewhat, from 6.6 per cent in 2017 to 6.8 per cent in 2019.
- The strong growth of the Swedish economy results in a decrease in the net borrowing requirement for 2017 compared with the previous forecast, and it is now estimated at SEK -28 billion. A large part of the decrease is due to higher tax income.
- The underlying development remains strong in the forecast period and the net borrowing requirement falls gradually from year to year. But compared with the previous forecast the net borrowing requirement increases substantially in 2018 since the Debt Office now expects that on-lending to the Riksbank will continue for the time being.
- The Debt Office's first forecast for the net borrowing requirement in 2019 is SEK -55 billion.
- Central government net lending is estimated at 1.0 per cent of GDP in 2017. The forecasts for 2018 and 2019 are 0.8 and 0.9 per cent of GDP.
- The central government debt is estimated at SEK 1 301 billion at the end of 2017 and at SEK 1 249 and 1 192 billion at the end of 2018 and 2019. This corresponds to 24 per cent of GDP at the end of 2019.
- The Debt Office is reducing the issue volume of all types of government securities, and of T-bills especially.
- The auction volume of government bonds decreases from SEK 2.5 to 2.0 billion per auction throughout the forecast period. This means that borrowing in government bonds will be SEK 51 billion this year and SEK 40 billion in 2018. The issue volume will remain unchanged at SEK 40 billion in 2019.
- Borrowing in T-bills decreases to SEK 5 billion as of the beginning of 2018. In addition the number of auctions is halved. The stock is estimated at SEK 88 billion at the end of this year. On 31 December 2018 and 2019 it will be SEK 20 billion.
- Borrowing in inflation-linked bonds also decreases. The issue volume is reduced from SEK 750 to 500 million per auction, corresponding to an annual rate of SEK 9 billion.
- The Debt Office intends to only issue bonds in foreign currencies to refinance on-lending to the Riksbank.

# The Swedish economy is still strong

Growth is still high in the Swedish economy, and this is largely explained by high investments. In the next few years growth is expected to decline as the resource utilisation increases. GDP growth is expected to be 2.7 per cent this year and 2.5 and 1.7 per cent in 2018 and 2019. The labour force and employment have increased rapidly in the past year and are also expected to grow in the future, but at a slower pace. As the economy gradually grows slower, unemployment increases somewhat, from 6.6 per cent in 2017 to 6.8 per cent in 2019.<sup>1</sup>

## Calm developments in financial markets

Developments in financial markets have been relatively calm, as a whole, since the previous report. Stock exchange indices and ten-year government bond yields have varied slightly but are at around the same level as before the summer both in the US, the euro area and in Sweden. The aggregate financial stress in Sweden was at a normal level in the third quarter but has been slightly lower than normal in 2017 as a whole.<sup>2</sup> Even though the political tension between the US and North Korea has increased, it has, as yet, had a relatively weak impact on financial markets. One of few clear changes from a Swedish perspective is the strengthening of the krona that has taken place during the summer, measured as the KIX index. In September it was just over 3 per cent stronger than at the time of the previous report in June. Market expectations on monetary policy have remained relatively unchanged. In the US the Fed is expected to raise its key interest rate a couple of times in the coming year, which is a slight downward adjustment compared with June.

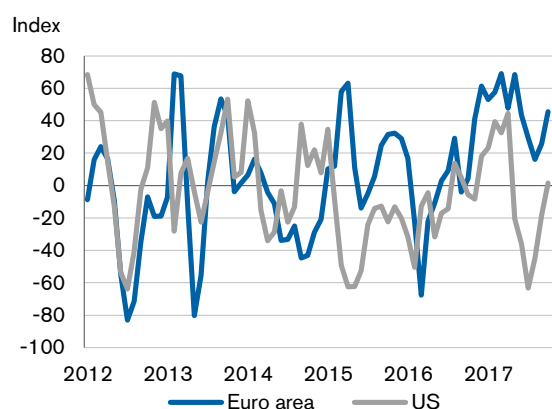
## Slightly faster international growth

Compared with the Debt Office's prediction in its June forecast, the statistics for recent months have been slightly stronger than expected for Europe, while they have been weaker for the US. This has been in line with the general market reaction and can be seen in what are called "surprise indices". These are a summary metric that measures to what extent published statistics deviate from market expectations. As shown in figure 1 the surprises have mainly been positive in the euro area,

industrial production for example, and negative in the US, labour market statistics for example.

In the second quarter the US economy continued to grow slightly faster than before, driven chiefly by investments and private consumption. But the growth at a yearly rate of 2.2 per cent was moderate from a longer perspective. Employment growth declined slightly in the summer and, along with a growing labour force, has meant that unemployment has varied between 4 and 4.5 per cent in recent months. The statistics reported in the summer have been surprises on the negative side, which leads to a marginal downward revision of the forecast. GDP growth in the US is expected to be 2.1 per cent in 2017 and 2018 and 2.0 per cent in 2019.

Figure 1 Surprise index



Source: Citigroup.

GDP growth in the euro area continued to improve in the second quarter and was just over 2 per cent as a yearly rate, but as in the US the improvement is relatively slow. Indicators suggest that growth is expected to continue at about the same rate in coming quarters. Both purchasing manager indices and consumer confidence are still at high levels. The overall picture has improved slightly since the previous report, which results in a marginal upward

<sup>1</sup> Information up to and including 27 September 2017 have been taken into account in the forecast

<sup>2</sup> The index of financial stress is a composite of developments on four sub-markets: the stock, currency, money and bond markets.

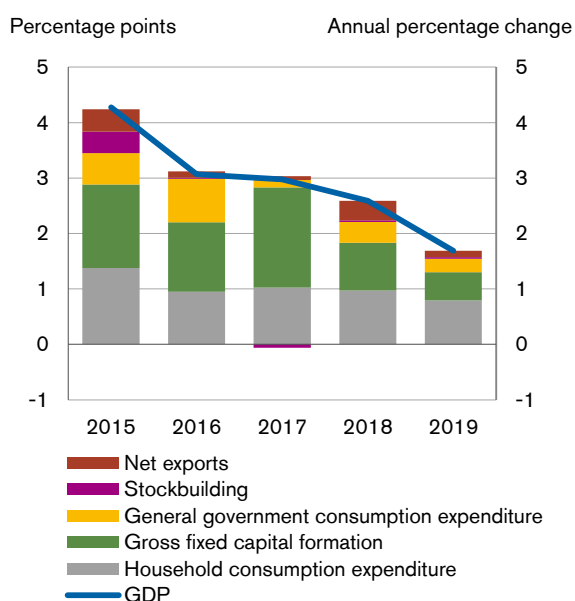
revision of the forecast. GDP growth in the euro area is expected to be 2.0 per cent in 2017 and 1.9 per cent in 2018 and 2019.

The overall picture of international economic development seen from a Swedish, trade-weighted perspective is that the economic situation is continuing to strengthen.<sup>3</sup> Unemployment has continued to fall as GDP growth has risen slowly towards its historical average. Inflation remains relatively low, just under 1.5 per cent, and has declined slightly during most of 2017. At the same time the short interest rate, measured as the three-month interbank rate, has been around 0 per cent. The gradual recovery of international GDP growth is one of the factors that has the strongest impact on Swedish exports.

## Domestic demand continues to drive growth

The growth of the Swedish economy has gained pace since the Debt Office's June forecast. In the second quarter of 2017 GDP grew much faster than in the previous quarter. GDP is expected to continue to grow at a good pace for the rest of 2017 and, given this and the higher outcomes so far this year, growth for 2017 has been revised upwards.

**Figure 2 Contribution to annual GDP growth**



Sources: Statistics Sweden and Swedish National Debt Office.

<sup>3</sup> International developments have been weighted by the size of Swedish trade with each country, called total competitiveness weights (TCW).

The higher outcomes in combination with stronger domestic demand, a somewhat more expansionary economic policy and a better economic situation internationally spill over onto growth in 2018, which has therefore also been revised upwards. At the same time, this high growth means that the resource utilisation in the economy increases and there are now signs that an economic turnaround is approaching. This leads to lower growth at the end of the forecast period, which is mainly characterised by slower growth of investments than in previous years, see figure 2.

GDP growth is expected to be 2.7 per cent in 2017 and 2.5 per cent in 2018 and then fall to 1.7 per cent in 2019, see table 1. Compared with the June forecast GDP growth for 2017 and 2018 has been revised upwards by 0.4 percentage points per year, see table 1.

**Table 1 GDP by expenditure, constant prices**

Percentage change <sup>1</sup>	2016	2017	2018	2019
GDP	3.3	2.7 (2.3)	2.5 (2.1)	1.7
Household consumption expenditure	2.2	2.2 (1.9)	2.2 (2.1)	1.8
General government consumption expenditure	3.4	0.2 (0.1)	1.3 (1.0)	0.9
Gross fixed capital formation	5.7	7.1 (5.2)	3.3 (2.9)	2.0
Stockbuilding <sup>2</sup>	0.1	-0.1 (-0.1)	0.0 (-0.1)	0.0
Exports	3.4	3.6 (3.3)	4.3 (4.4)	3.3
Imports	3.5	3.9 (2.9)	3.9 (4.3)	3.4
Net exports <sup>2</sup>	0.1	0.1 (0.3)	0.3 (0.2)	0.1
GDP (calendar adjusted)	3.1	3.0 (2.6)	2.6 (2.2)	1.7

Note: Previous forecast in parenthesis.

<sup>1</sup> Actual change compared to previous year.

<sup>2</sup> Change in percent of GDP previous year.

Sources: Statistics Sweden and Swedish National Debt Office.

## More strained resource utilisation in the economy

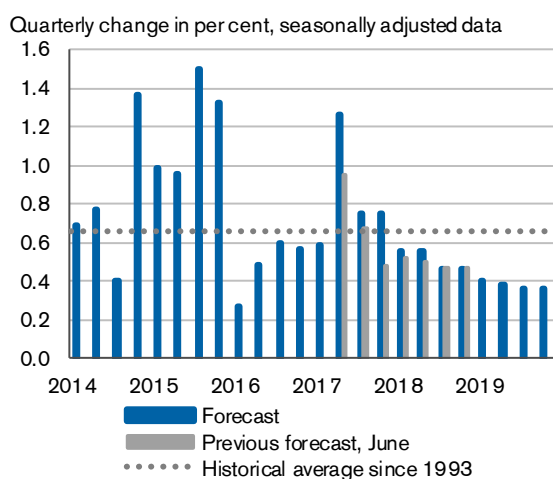
Indicators for resource utilisation in terms of GDP point to a more strained situation than normal and also show that this picture was reinforced during the summer. The picture for the labour market is more fragmented. The shortage of labour continues to rise, indicating that resource utilisation has increased, while the difference between the actual and potential number of hours worked continues to point to moderate levels. Despite this somewhat fragmented picture, resource utilisation in the economy as a whole is estimated to be higher than normal and to have risen since the June forecast.

The financial situation in Sweden also suggests that conditions for the real economy will remain favourable. The interest rates met by households and companies have continued to be historically low. Rising housing and share prices have led to a further increase in households' wealth in the past year.

### High GDP growth in the short term

The growth in the Swedish economy increased substantially in the second quarter of 2017. Quarterly GDP growth was surprisingly high and almost matched the high levels seen at the end of 2015, see figure 3. The high growth was explained by high investments, especially construction-related investments, and a positive contribution from net exports. Household and public sector consumption also contributed to the growth, while stock investments acted in the opposite direction.

**Figure 3 GDP, outcome and forecast**



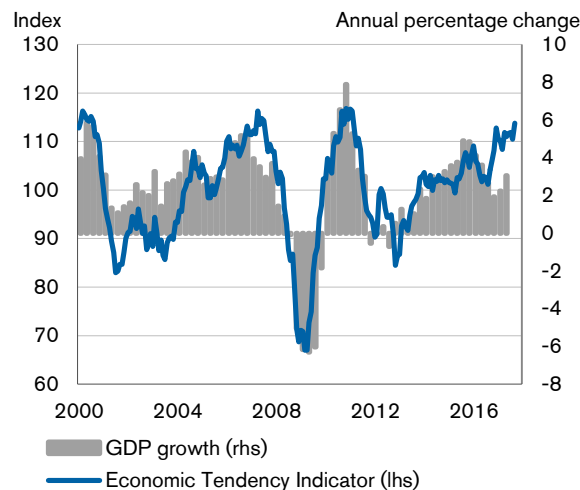
Sources: Statistics Sweden and Swedish National Debt Office.

Even though GDP growth was higher than expected, there is support for a strong economic situation among leading indicators, including the NIER's economic tendency indicator, see figure 4. Moreover the international economic situation has improved and financial conditions have been relatively good. This means that continued high growth is possible in the next few quarters, and GDP is therefore expected to grow at above its historical average for the remainder of 2017, see figure 3.

During most of 2017 and 2018 growth is expected to be higher than the potential growth of the economy. Subsequently the more strained resource utilisation is expected to gradually limit the possibility of continued high growth when, for

example, a shortage of available labour will impede continued expansion.

**Figure 4 GDP and economic tendency indicator**



Note: GDP refers to calendar adjusted constant prices. The last observation for the confidence indicator is September 2017.

Sources: National Institute of Economic Research and Statistics Sweden.

### Lasting growth of household consumption

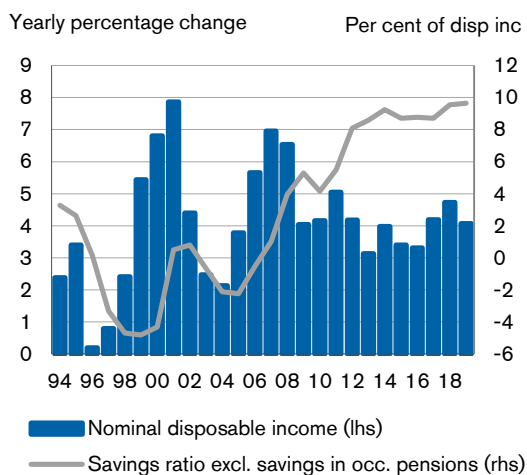
In the past three quarters household consumption has grown faster than its historical average. With the outcome for the second quarter, consumption was revised upwards as of the beginning of 2016. This means that the outcomes are now more in line with what various confidence indicators have pointed to. For example the NIER's household confidence indicator has shown stronger than usual consumer confidence since September 2016. Since the summer, however, households' view of their own financial situation has turned down and confidence among households is now at a normal level. In view of the strong outcomes for the first half of 2017 the full-year forecast has been revised upwards even though growth in the next few quarters is expected to be slightly lower.

The Debt Office's view of household consumption ahead is largely unchanged from the previous forecast. Continued low mortgage interest rates, good wealth growth and a relatively optimistic view of the economic situation argue for strong growth. Set against this is a moderate increase in disposable incomes – despite a fiscal policy that increases disposable income for broad groups in society. Household savings remain high, from both a historical and an international perspective. These high savings are expected to continue for the next



few years, see figure 5, which means that the growth of household consumption will be lower as the economy grows somewhat slower at the end of the forecast period.

**Figure 5 Disposable income and savings ratio**



Sources: Statistics Sweden and Swedish National Debt Office.

### Public consumption rises in the next few years

Public consumption has grown much more slowly in the past four quarters than expected given the extensive needs resulting from a larger number of young and older people in the population and a high number of asylum seekers in the reception system. The outcome for the second quarter of 2017 did not provide any reason to revise the forecast of almost unchanged consumption this year. However, the underlying need is expected to remain, and in 2018 and 2019 public consumption is therefore expected to rise again. In addition, the Government presented reforms in the Budget Bill for 2018 that increase public consumption in the future. All in all, the forecast, for 2017 is unchanged while the forecast for 2018 has been revised upwards.

### Continued strong housing investments

Investments have grown rapidly for several years and in the first half of 2017 they grew even faster. The main explanation of this growth is high and rising construction-related investments. The growth of investments in 2017 appear to be the highest since the financial crisis. Housing investments are expected to reach record levels, and in the second quarter they corresponded, as a share of GDP, to the level seen at the end of the construction boom in the 1990s. The increase in housing investments therefore explains a large part of the total increase

in investments and, as a result, also a large part of GDP growth. This year the contribution from housing investments is expected to make up almost one percentage point of the GDP growth, which means that the forecast is particularly dependent on the future development of housing construction. However, it is not only housing investments that are high; other industries in the business sector are also investing increasingly. Manufacturing, which is experiencing greater international demand, needs to increase its investments in order to be able to benefit from increased export opportunities.

Continued low interest rates during the forecast period at the same time as capacity utilisation is becoming more strained also points to strong investment growth. The Debt Office's forecast for investments has been revised upwards substantially for 2017. Even in 2018, investments have been revised. After that a growth rate below the historical level is expected, partly because housing investment will weaken as it becomes more and more difficult for companies to find the right type of labour and as the economy grows slower.

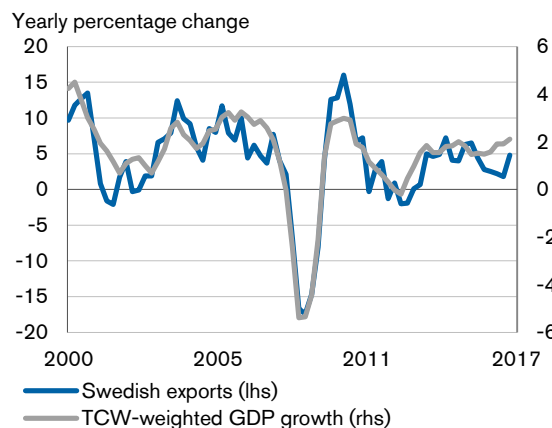
### The improvement of the international economy results in good export growth

Exports rose in the second quarter of 2017 after having decreased surprisingly in the first quarter of the year. It was mainly exports of goods that increased, but services exports also rose. Since 2010 there have been several years in which exports of services have driven the growth of total exports, while exports of goods have remained unchanged or even decreased slightly. In the past three years, however, the pattern has been reversed and it has mainly been exports of goods that have increased. This is well in line with the increase in international demand and the fact that intermediate and investment goods needed in other countries' industrial production account for a large part of Swedish exports. Since the previous forecast the international economic situation has been revised slightly upwards in TCW terms and this is expected to result in greater exports for Sweden. Historically the covariation between Swedish exports and international growth has been high, see figure 6. This picture is supported by the fact that export order indicators point to continued high demand.

The net of exports and imports, i.e. the contribution of international trade to GDP growth, has been revised downwards for 2017 even though exports

have increased more than expected. This is because imports have also grown strongly.

**Figure 6 Swedish exports and international GDP growth**



Sources: Statistics Sweden, national sources and Swedish National Debt Office.

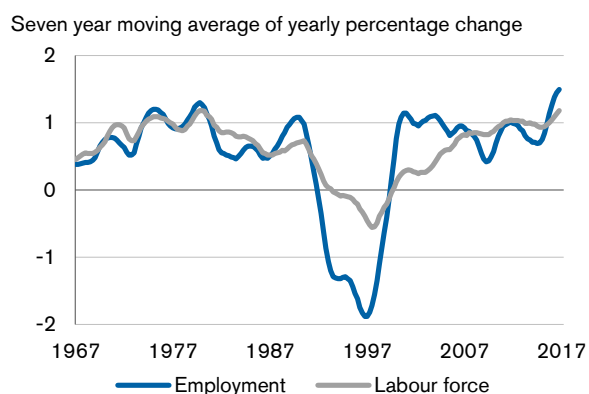
At the same time, imports have also increased and need to continue to increase in order to meet domestic demand and enable manufacturing to produce export goods.

For 2018 net exports have been revised upwards since international demand for Swedish export goods is expected to increase more than the need of imports. The same applies to 2019, which means that net exports will also be positive in that year.

### Historically strong labour market cools

The labour market is not only in a cyclical upturn; it is also in a prolonged period of strong growth. Measured as a seven-year average – an estimate of the length of the business cycle – employment is growing faster than at any time in the past 50 years, see figure 7.

**Figure 7 Employment and labour force**



Sources: OECD and Swedish National Debt Office.

The fact that the Labour Force Survey (LFS) overestimates employment on account of new arrivals only has a marginal impact on this picture.<sup>4</sup> Labour force growth is at the same level as at previous peaks in the early 1980s.

### The growth of the labour force is being driven by people born abroad

The growth of the labour force in the past seven years has largely been driven by people born abroad. This development has been accentuated in recent years as a result of the great increase in the number of asylum seekers in 2015, which added to the economic upturn. In the future the effects from both the economy and asylum immigration are expected to subside. But even though new asylum applications have been increasing at a relatively slow rate since the start of the year, it will take time for this to have an impact on the increase in the number of residence permits. The reason is that the Swedish Migration Agency still has a large number of open asylum cases, which means that, for a number of months to come, the number of applications granted is expected to be greater than the number of new applications. This means, in turn, that these new permit holders will provide a noticeable contribution to labour force growth for another couple of quarters. Against this background, and considering the effects of the strong economic situation, the Debt Office expects the labour force to grow at a faster than normal rate in the next few quarters.

Migration is also expected to play a relatively important role in the somewhat longer term. A clear majority of the 900 000 new residence permits granted since 2010 are not for asylum seekers but for other purposes, including both temporary and more permanent labour migration. If the developments of recent years in this respect continue, this means that the group of people born abroad in the labour force will continue to increase at a good rate even after the effects of the large increase in asylum application in 2015 have ebbed out. This counters the fact that the contribution to growth from the group of people born in Sweden is expected to be negative in coming years. In all, the labour force is therefore expected to grow in line with its historical average over the next couple of years. The Debt Office expects the growth of the

<sup>4</sup> See, for example, the in-depth box in the previous report *Central Government Borrowing 2017:2* or the Statistics Sweden's report "Över- och undertäckning i AKU".



labour force to be 1.9 per cent this year and 1.3 and 0.8 per cent in 2018 and 2019, see table 2.

#### *Employment is expected to grow more slowly*

The development of employment is also very much dominated by the group of people born abroad. In recent months employment for this group has grown at an annual rate of more than 10 per cent, corresponding to almost 100 000 people in employment. For the group of people born in Sweden the increase is at an annual rate of about 1 per cent. A number of indicators point to more moderate employment growth in coming quarters. Both indicators for the whole labour market, such as the NIER's barometer indicators, and indicators for the sub-group of people born abroad, such as under-employment, signal a moderation. However, this moderation is from growth figures that are high from a historical perspective. The forecast for coming quarters is in line with the results of short-run models and means that growth is expected to be faster than the historical average. As the economy grows slower, employment growth in the longer term will slow further to an annual rate of just over a half per cent at the end of the forecast period. The forecast in this report is that employment will increase by 2.3 per cent this year and by 1.2 and 0.6 per cent in 2018 and 2019.

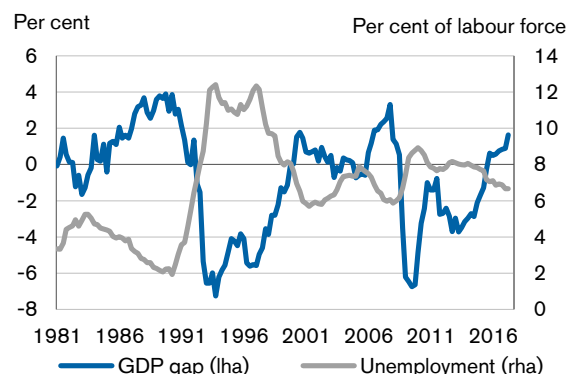
**Table 2 Labour market, prices and wages**

Percentage change	2016	2017	2018	2019
Labour force	1.0	1.9 (1.6)	1.3 (0.8)	0.8
Employment	1.5	2.3 (2.1)	1.2 (0.8)	0.6
Unemployment <sup>1</sup>	6.9	6.6 (6.5)	6.7 (6.5)	6.8
CPIF	1.4	2.0 (1.7)	1.8 (1.7)	1.9
Hourly wage (NA)	2.6	3.4 (3.0)	3.5 (3.1)	3.4
Wage sum	4.9	4.8 (4.5)	4.7 (4.3)	4.2

#### *Unemployment is levelling out*

The improving economic situation has meant that unemployment has been falling for a long time, in line with historical patterns, see figure 8. As the economy begins to turn around employment will, in relative terms also grow more slowly than the labour force. At the same time the measurement error in the LFS will decline gradually over time, which will increase unemployment marginally in the latter part of the forecast period. The Debt Office's forecast is that unemployment will be 6.6 per cent this year and 6.7 and 6.8 per cent in 2018 and 2019.

**Figure 8 Resource utilisation and unemployment**



Sources: National Institute of Economic Research and OECD.

#### **Price and wage increases rising**

At present the two most common measures of wage growth give different pictures of the situation. Hourly wages according to the Swedish National Mediation Office (NMO) shows a continued fall in the rate of wage increases, while hourly wages according to the National Accounts (NA) has instead shown a rising trend for a couple of years. NA wages contains compensation that is cyclically dependent, which NMO wages does not. The difference between the measures has also varied roughly in pace with the economic situation, and from that perspective the difference at present is not remarkable.

In the next few quarters short-run models point to a continued increase, roughly in line with the rising trend in NA wage. However, in the longer term the models point to what are – from a historical perspective – relatively moderate wage increases, which is also in line with the Debt Office's forecast. The two main reasons why wage increases are expected to be relatively moderate are, first, that the recent three-year central agreements were reached at relatively low levels and, second, that there are few signs of extensive wage drift. The forecast is that hourly wages (NA) will increase by 3.2 per cent this year and 3.2 and 3.4 per cent in 2018 and 2019.

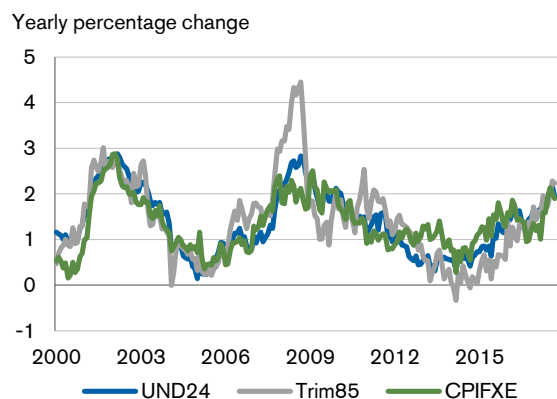
In all this means that the payroll is expected to grow in line with its historical average and about as fast as GDP in current prices. The forecast is that the payroll will grow by 4.8 per cent this year and 4.7 and 4.2 per cent in 2018 and 2019.

#### *Inflation is levelling out*

The outcomes for inflation in recent months have confirmed the picture of rising inflationary pressure.

Three different measures of core inflation show a steady rate of price increases, now at around 2 per cent, see figure 9.

**Figure 9 Measures of core inflation**



Sources: Statistics Sweden and the Riksbank.

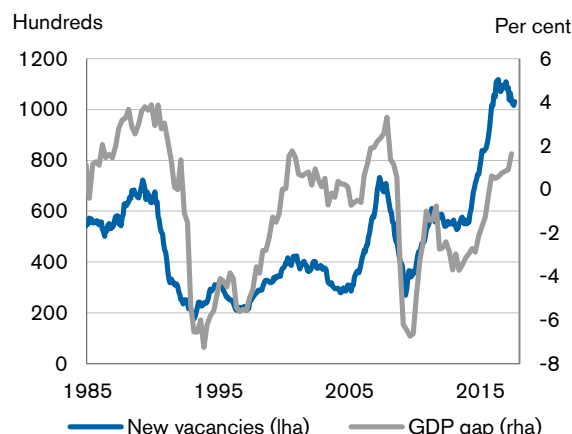
In line with the forecast for wages, inflation is expected to be largely unchanged in the coming years. Low central wage agreements and limited wage drift, moderate inflation internationally and a stable exchange rate are examples of why it is hard to see a continued rise in inflation over a couple of years. The Debt Office's forecast of CPIF inflation is 2.0 per cent this year and 1.8 and 1.9 per cent in 2018 and 2019.

### Downside risks are slightly greater

The risk picture is still characterised by the difficulties in forecasting an economic turnaround, defined as a peak in the GDP gap. Historically, economic turnarounds, both in Sweden and internationally, are not normally characterised by a gradual return to average growth. Instead the upturn is often strong and the subsequent downturn faster and deeper than generally predicted in forecasts. This type of development is also the greatest risk in the forecast. Even though statistics on, for example, vacancies, housing starts and industry order intake signal that an economic turnaround is imminent, historical correlations only provide guidance about when and to what extent the economic situation will turn around, see figure 10.

It is therefore not unlikely that the economic slowdown predicted in the forecast will occur either sooner or later. This means that there is a risk that growth in 2018 will be lower than in the forecast, but the slowdown may also come after the end of the forecast period, which would result in a higher growth 2019.

**Figure 10 New vacancies and the GDP gap**

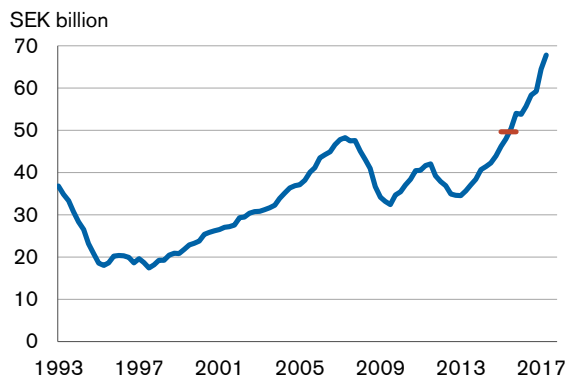


Sources: Swedish Public Employment Service and National Institute of Economic Research.

The risks concerning international developments are also of this type. International growth is expected to accelerate moderately in the next few quarters. But high levels of, for example, consumer confidence indicators in the euro area along with continued stimulus measures by the most tone-setting central banks may have a more positive effect on growth than is included in the forecast. There are, at the same time, a number of structural challenges that constitute a risk of lower growth in a slightly longer perspective. The international political event that is expected to be capable of having most importance for the Swedish economy in the coming years is when and how the exit of the UK from the EU is implemented in practice.

The single strongest contributing factor to the high GDP growth in Sweden recently has been the rapid rise in housing investments. Even though various indicators, such as the shortage of labour in the construction sector, signal that this high growth cannot continue for that much longer, it is difficult to know when the downturn will come and how big the change will be. Historically the growth rate of housing investment has seldom levelled out, rather it has shown relatively steep falls, see figure 11. The forecast assumes that housing investments will continue to increase for another couple of quarters and will then flatten out at a high level. If instead the historical pattern is repeated and the level of investments actually falls, this will have a great effect on both total investments and GDP growth.

**Figure 11 Housing investments**



*Note. Constant prices, seasonally adjusted data. Red line corresponds to the 2015 average level.  
Source: Statistics Sweden.*

To illustrate the sensitivity of the forecast in this respect, a fall in housing investments to the 2015 level would result in a reduction of both total investments and GDP in the next few years. If housing investments, in the next years, remain constantly at a level corresponding to the average investment level in 2015, this means that the

growth of total investments would be just over 3.4 percentage points lower and GDP growth 0.8 percentage points lower in both 2017 and 2018. Moreover, housing construction has tended to vary along with housing prices. In a negative scenario it is therefore not unlikely that both housing investments and housing prices will show very weak development at the same time. This would, in addition, mean a substantial risk that highly indebted households would reduce their consumption, thereby further reducing the growth of the economy. Even though there are signals of a damping of housing prices, there is nothing to suggest that a dramatic development is imminent.

In the labour market uncertainty remains slightly higher than usual since the outcomes for both employment and the labour force in the next few quarters will continue to be affected to a relatively large extent by the number of new residence permits. In the light of the large number of open cases at the Swedish Migration Agency this uncertain situation is expected to continue for a while longer.

# Stronger growth results in falling net borrowing requirement

The strong growth of the Swedish economy means that the net borrowing requirement in 2017 is lower than in the previous forecast and is estimated at SEK -28 billion. The underlying development remains strong in the forecast period and the net borrowing requirement falls gradually from year to year. However, compared with the previous forecast the net borrowing requirement increases strongly in 2018 since the Debt Office no longer assumes that lending to the Riksbank is to be phased out. The Budget Bill contains a number of reforms that increase the net borrowing requirement, but this is offset by higher tax income resulting from the strong growth of the economy.<sup>5</sup>

## Stronger economy reduces the net borrowing requirement

### Lower net borrowing requirement since June

Since the June forecast the outcomes for the net borrowing requirement have been about SEK 35 billion lower than in the forecast. This is due to both higher tax income and lower expenditure. Net lending to government agencies has also been lower.

Most of the higher tax income is judged to be due to the stronger macroeconomic development.

Disbursements have been lower from a number of government agencies, which is partly macro-related, but it also involves disbursements being shifted forward. The Debt Office therefore makes the assessment that disbursements will be slightly higher in the rest of the year. The lower net lending to government agencies since June is mainly explained by higher deposits from the Swedish Pensions Agency.

### On-lending to the Riksbank continues as before

The Government has announced that the Riksbank Committee will be tasked with investigating the financial independence and balance sheet of the Riksbank. This means that the proposal presented by the Government in a draft of a proposal to the Council on Legislation earlier this year will not be processed further. That proposal meant that the foreign currency borrowing that the Debt Office carries out on behalf of the Riksbank would cease at the end of 2017.

In its previous forecast the Debt Office therefore made a technical assumption for its calculations that the Riksbank would begin repaying the loans as of the start of the coming year. The basis for the new forecast is that the on-lending is expected to continue as before.

### Gradual decrease of net borrowing requirement

The net borrowing requirement in 2017 is estimated at SEK -28 billion. This is SEK 46 billion lower than in the previous forecast. A large part of this reduction is explained by higher tax income as a result of stronger economic growth. In addition, central government expenditure decreases in a number of areas compared with the previous forecast. They include social insurance, the labour market and Sweden's contribution to the EU budget.

**Table 1 Central government net borrowing requirement**

SEK billion	2017	2018	2019
<b>Primary balance</b>	<b>-40</b>	<b>-65</b>	<b>-77</b>
<b>SNDO Net lending</b>	<b>0</b>	<b>6</b>	<b>1</b>
of which on-lending	3	10	-3
<b>Interest payments</b>	<b>12</b>	<b>11</b>	<b>21</b>
<b>Net borrowing requirement</b>	<b>-28</b>	<b>-47</b>	<b>-55</b>

Net lending by the Debt Office also decreases on account of a premature repayment by Ireland of the loans it received from the Swedish State. This involves loans corresponding to EUR 600 million that were part of the IMF and EU programme of support for Ireland in connection with the Euro crisis.

Next year the net borrowing requirement is estimated at SEK -47 billion. This is an increase of

<sup>5</sup> Information available up until 12 October 2017 has been taken into account in the calculations.

SEK 77 billion from the June forecast. The primary reason for the increase is that the Riksbank is no longer assumed to repay the loans taken to strengthen the currency reserve. The underlying development remains strong and the growth of the economy offsets the expansive fiscal policy in the budget. Excluding the Riksbank loans the borrowing requirement decreases by SEK 24 billion compared with the previous forecast.



### Unchanged assessment of excess deposits in tax accounts

The Debt Office's assessment of excess deposits in tax accounts is unchanged. In all, this means that the inflow is judged to have been about SEK 40 billion in 2016, which is turning into a net outflow of SEK 10 billion in 2017. The main reason for the outflow is that private individuals are expected to reduce their excess deposits since the interest rate on tax accounts has been reduced to zero.

The assessment made is that at the end of 2017 excess deposits will be about SEK 45 billion.

For many companies an interest rate of zero per cent is still attractive. The assumption for 2018 therefore includes a continued inflow of about SEK 1 billion per month from companies.

The forecast for 2019 assumes that the excess deposits will be unchanged from the previous year.

The Debt Office uses cut-off rates in its calculations. This means that the interest rate on tax accounts is assumed to be zero throughout the forecast period. If market interest rates rise, it will be less attractive to place funds in tax accounts. This would then result in an outflow from tax accounts and a higher net borrowing requirement.

migration mainly decreases as a result of a lower inflow of asylum seekers; but the municipalities will bear an increasing share of these costs. The forecast for 2019 contains an assumption of unfinanced fiscal policy reforms amounting to SEK 15 billion.

## Forecast changes since June

The Budget Bill for 2018 contains fiscal policy reforms in the order of SEK 45 billion, which can be compared with the Debt Office's assumption from June of SEK 15 billion. The Debt Office does not expect all the reforms to affect fully on the net borrowing requirement in 2018. Compared with the previous forecast the net borrowing requirement is estimated to increase by just over SEK 20 billion on account of reforms.

The strong development of the economy means that tax income in 2018 increases by a total of SEK 22 billion compared with the previous forecast, despite tax reductions in the budget.

**Table 2 The largest changes in forecasts<sup>1</sup>**

SEK billion	2017	2018
<b>Forecast June 2017</b>	<b>17</b>	<b>-124</b>
<b>Primary balance</b>	<b>-33</b>	<b>-18</b>
Of which:		
Tax income	-20	-22
Dividends	0	0
Government grants to local governments	0	5
Labour market	-1	1
Social insurance	-1	6
Migration	1	-1
International aid	-1	0
Other	-10	-7
<b>SNDO Net lending</b>	<b>-12</b>	<b>94</b>
Of which:		
On-lending	-10	101
<b>Interest payments</b>	<b>-1</b>	<b>1</b>
<b>Forecast October 2017</b>	<b>-28</b>	<b>-47</b>
Sum of changes	-46	77

<sup>1</sup> Changes in terms of net borrowing requirement. A minus sign means that the net borrowing requirement decreases and plus means that it increases.

The Debt Office's first forecast for the net borrowing requirement in 2019 is SEK -55 billion. Tax income grows moderately compared with 2018 since the growth of the economy is expected to decline. Central government expenditure for

## Declining capital gains for households

The preliminary outcome of taxation for 2016 suggests that household capital gains were in line with the Debt Office's previous forecasts. This means that capital gains decreased slightly from

the level in 2015, when the gains were just over SEK 200 billion. During the forecast period the level is expected to adjust gradually to a historical average of about 3.5 per cent as a share of GDP.

Household's interest income and dividends were higher in 2016 than previously assumed by the Debt Office. It is primarily dividends from close companies that are rising more than expected. This leads to adjustments of the forecast for 2017 to 2019 inclusive.

Household's interest expenditure was in line with the Debt Office's forecast for 2016. The level is expected to rise slightly during the forecast period. The assumptions are unchanged from the previous forecast.

### Rising income from corporate taxes

The strong growth of the Swedish economy results in rising profits in the business sector. This means that central government income from corporate taxes is being revised upwards from the previous forecast. Preliminary outcomes of taxation for 2016 also indicate that corporate profits last year were slightly higher than the Debt Office's previous assessment. All else equal, this means that their level also rises for coming years.

**Table 3 Tax income compared with previous forecast<sup>1</sup>**

	2017	2018
Payroll taxes	2	-11
Consumption taxes	-4	-7
Corporate taxes	-3	-3
Supplementary taxes	-15	-1
<b>Total</b>	<b>-20</b>	<b>-22</b>

<sup>1</sup> Changes in terms of borrowing requirement. Plus means that the income decreases and the net borrowing requirement increases.

The picture of strong growth in the immediate future is also supported by indicators such as the NIER business survey, which demonstrates a good climate in the business sector. The situation in manufacturing is particularly striking with production plans for the near future being revised strongly upwards. This supports the picture of good profit growth for a while longer. As the economy slackens at the end of the forecast period, profits fall back. For 2019 profits are expected to grow slightly more slowly than the historical average.

### Stronger growth of payroll taxes

The forecast for central government income from payroll taxes is unchanged, in principle, for 2017, but next year income rises by SEK 11 billion from the previous forecast. The reason for a large part of the increase next year is that the advances that central government pays to the local authorities will be lower than previously estimated. Advance payments to local authorities are based on forecast indexation factors for the local government tax base. The factors decided by the Government in connection with the Budget Bill were lower than both of the Government's previous forecast and the Debt Office's latest forecast. This means that a larger part of the payroll taxes will stay in central government in 2018. The final distribution of payroll taxes between central and local government will be settled when the final tax assessment has been completed. This means that the final settlement of tax for 2018 will be made in January 2020.

At the same time the Debt Office makes the assessment that the wage sum both this year and next year will rise faster than before, which means that taxes on wages will rise more in the forecast period.

### High income from consumption taxes

Income from taxes on consumption has shown slightly stronger growth than forecast since the estimate was made in June. In all, the Debt Office expects that consumption taxes will increase by SEK 4 and 7 billion in 2017 and 2018 compared with the previous forecast. This is due to higher consumption, but also to higher investments than previously estimated. It is housing investments in particular that have shown strong growth.

Unlike investments in many other sectors, housing investments are at the end of the production chain and are, in principle, fully subject to value added tax. Since housing investments are also volatile, they have a great impact on the development of VAT income both when they rise and when they fall.

In 2015 and 2016 housing investments increased by 18 and 14 per cent compared with the previous year. For the first half of 2017 the increase was 21 per cent compared with the same period in 2016.



**Table 4 Growth rates for tax forecast, current prices**

Percentage change	2016	2017	2018	2019
Household consumption expenditure	3.2	4.2	3.8	3.9
Payroll	4.9	4.8	4.7	4.2
Assessed earned income of households	4.8	4.6	4.2	3.9
Interest income, incl. dividends	17.5	0.8	3.0	2.9
Deductions for interest expenditure	-3.0	3.9	2.5	2.4
Household capital gains, net	-6.6	-5.7	-8.9	2.8
Assessed earned income of companies	-3.0	10.0	6.0	5.0

A rough sensitivity calculation shows that if housing investments fall to the same level as in 2015, the direct effect on VAT income will be a reduction of between SEK 10 and 15 billion. The total effect on the central government net borrowing requirement is probably much higher since a reduction of housing investments would also affect other sectors of the economy, such as consumption, wages, company profits and central government expenditure.

#### **Dividends on state-owned shares increase between the years**

Central government income from share dividends is estimated to be SEK 9 billion in 2017 and then increase slightly between years to just under SEK 12 billion in 2019. The main reason for the increase is that Vattenfall AB is again expected to pay a dividend after several years without a dividend on account of large write-downs. Dividends from LKAB are also expected to increase.

**Table 5 Dividends on state-owned shares**

SEK billion	2017	2018	2019
Akademiska Hus AB	1.4	1.5	1.5
LKAB	0.0	0.5	1.0
Telia Company AB	3.2	3.2	3.2
Vattenfall AB	0.0	1.0	2.0
Sveaskog AB	0.8	0.8	0.8
Other companies	3.2	3.1	3.1
<b>Total</b>	<b>8.6</b>	<b>10.1</b>	<b>11.6</b>

#### **Labour market-related expenditure increases in 2018**

Expenditure for labour market-related measures is expected to be higher in 2018 than in the previous forecast. The main reason is that the Government is moving expenditure from the migration area to the labour market area. In addition, an increase in the ceiling for wage subsidy and greater funds for

1 000 new jobs in Samhall contribute to higher expenditure.

#### **Higher social insurance expenditure in 2018**

Expenditure for social insurance is expected to be SEK 1 billion lower in 2017 but SEK 6 billion higher in 2018 than in the previous forecast.

The change in 2017 is mainly due to lower expenditure for sickness benefit. Expenditure will increase next year as a result of proposals in the Budget Bill. The largest expenditure increase concerns child allowance which is being raised by SEK 200 per month and child. In addition, benefit levels are being increased for sickness benefit and housing supplement, for example.

#### **Central government expenditure for migration decreases**

According to the Swedish Migration Agency, the number of new asylum seekers is expected to be just under 30 000 per year between 2017 and 2019. The Migration Agency's expenditure is estimated to decrease from approximately SEK 54 billion in 2017 to approximately SEK 25 billion in 2019. The high level in 2017 is a consequence of the large number of asylum-seekers in 2015.

The number of asylum cases decided decreases in 2017 compared with previous assessments made by the Migration Agency. The reason is that the remaining cases from 2015 require more investigation than those already handled. The delay in processing cases means that more people will still be in the Agency's reception system than in previous assessments.

After being granted residence permits, asylum seekers are placed in municipalities. Since the processing of asylum cases is taking longer than estimated, placements in municipalities also take place later to some extent. The Swedish Migration Agency compensates the municipalities for their reception costs during a limited period of time, which means that the municipalities will gradually have to meet a larger share of the costs of supporting those who cannot support themselves and to pay for municipal services for a larger number of residents.

#### **Net lending by the Debt Office**

The forecast for net lending by the Debt Office to government agencies etc. in 2017 is SEK 12 billion lower than in the previous forecast. This is mainly

because Ireland has applied to repay its loans prematurely. Since on-lending to the Riksbank will not be phased out, this affects the forecast for 2018, which is therefore just over SEK 101 billion higher. This is offset by an expected decrease in lending to government agencies etc. compared with the previous forecast, mainly on account of amortisation by the Swedish Transport Administration. At the same time deposits increases since the resolution fee is expected to increase. In all, net lending is SEK 94 billion higher in 2018 than in the previous forecast.

In 2019 net lending is estimated at just over SEK 1 billion. Net lending decreases by SEK 5 billion compared with 2018. This is mainly explained by a decrease in on-lending to the Riksbank on account of currency exchange effects. It is offset slightly by an estimated increase in lending to the Swedish Transport Administration in 2019 at the same time as payments of the resolution fee are expected to decrease between these years.



## Change in the net borrowing requirement between years

The table shows how the net borrowing requirement changes between 2015 and 2019 and how different parts of the net borrowing requirement affect this change.

The net borrowing requirement increases by SEK 57 billion between 2016 and 2017. This is primarily an effect of the outcome for 2016 being impacted by a number of factors that can be regarded as temporary. They include excess deposits in tax accounts, a large one-time payment of corporate tax and tax increases. Expenditure was also low since some items were brought forward and paid in 2015.

In 2017 the effect of the excess deposits in tax accounts is reversed and other one-time effects disappear. This means that central government tax income decreases by SEK 26 billion between 2016 and 2017, despite strong economic development.

Expenditure for migration and development assistance increases strongly between 2014 and 2017, but falls back in 2018 and 2019, mainly on account of a lower inflow of asylum seekers.

SEK billion	2015	2016	2017	2018	2019
<b>Net borrowing requirement, level</b>	<b>33</b>	<b>-85</b>	<b>-28</b>	<b>-47</b>	<b>-55</b>
Net borrowing requirement, change	-40	-118	57	-19	-8
Of which:					
<b>Primary balance</b>	<b>-47</b>	<b>-101</b>	<b>60</b>	<b>-24</b>	<b>-13</b>
Tax income	-76	-145	26	-69	-37
Government grants to					
local governments	7	-9	12	5	8
Labour market	0	-1	0	3	2
Social insurance	6	0	-3	17	4
Migration & International aid	10	26	7	-15	-8
Sales of state-owned assets	0	0	0	0	0
Share dividends	-7	7	4	-2	-2
EU contribution	-4	-5	-3	10	2
Other	18	27	18	26	18
<b>Debt Office's net lending excl. on-lending</b>	<b>-19</b>	<b>-1</b>	<b>-2</b>	<b>-1</b>	<b>8</b>
<b>On-lending</b>	<b>7</b>	<b>4</b>	<b>-11</b>	<b>7</b>	<b>-13</b>
<b>Interest on government debt</b>	<b>19</b>	<b>-20</b>	<b>10</b>	<b>0</b>	<b>9</b>

### Slightly lower interest payments this year

Central government interest payments are estimated at SEK 12 billion this year and at SEK 11 and 21 billion in 2018 and 2019, see table 6 below.

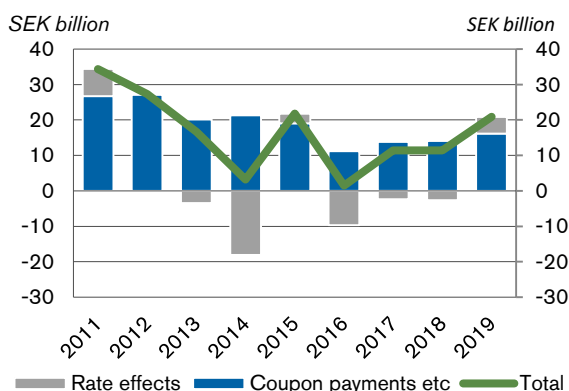
The forecast has been revised marginally downwards for this year, but has been revised upwards slightly for 2018. The main reasons why interest payments are expected to be lower this year is that the krona has strengthened against currencies including the EUR and USD since the previous forecast. This leads to higher realised currency exchange gains on the foreign currency debt.

**Table 6 Interest payments on the central government debt**

SEK billion	2017	2018	2019
Interest on loans in SEK	13.0	11.9	20.8
Interest on loans in foreign currency	-0.4	-0.2	-0.2
Realised currency gains and losses	-1.0	-0.4	0.2
<b>Interest payments</b>	<b>11.7</b>	<b>11.3</b>	<b>20.7</b>

Since the June forecast long market interest rates have risen, and this has mainly affected interest payments via lower premiums when the Debt Office sells bonds. The effect of higher interest rates is partly offset by a fall in the level of the central government debt as a result of higher surpluses in central government finances being forecasted.

**Figure 1 Interest payments**



Note: Rate effects include issues sold at a premium/discount, capital gains/losses in connection with switches/buybacks and currency exchange gains/losses realised.

The increase in interest payments of around SEK 9 billion between 2018 and 2019 is primarily due to planned switches in which the Debt Office buys back an inflation-linked bond maturing in 2020.

This inflation-linked bond was introduced in 1996 and has a great deal of accrued inflation compensation that is paid out in connection with the buy-backs. If the switches take place as planned, the inflation compensation paid in connection with the maturity in 2020 will, in turn, be lower.

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 is 29 September 2017.

**Table 7 Cut-off rates for interest rates, per cent**

Duration	3 mth	6 mth	2 y	5 y	10 y	30 y
Government bonds	-0.7	-0.7	-0.5	0.1	0.9	2.1
Inflation-linked bonds	-2.4	-2.4	-2.3	-1.8	-1.1	0.1
Swap interest rate SEK	-0.4	-0.5	-0.2	0.5	1.3	
Swap interest rate EUR	-0.4	-0.3	-0.2	0.2	0.9	1.7
Swap interest rate USD	1.3	1.4	1.7	2.0	2.3	

**Table 8 Cut-off rates for currency exchange rates**

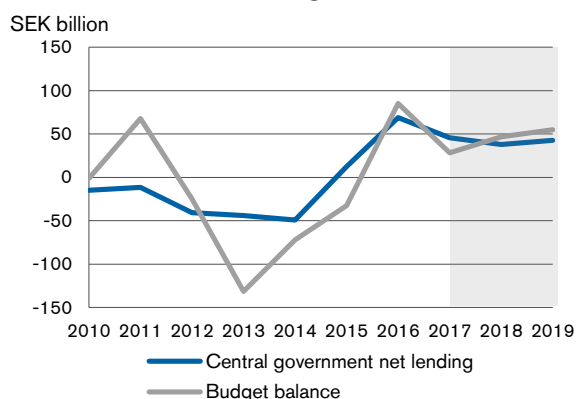
Spotrates	2017-09-29
SEK/EUR	9.65
SEK/USD	8.16
SEK/CHF	7.90
SEK/JPY	0.07
SEK/GBP	10.95
SEK/CAD	6.53

### Budget balance and the central government net lending

Central government net lending shows a more even development than the net borrowing requirement and the budget balance, which are cash flow measures. Central government net lending is expected to be 1.0 per cent of GDP in 2017. Net lending is expected to be 0.8 per cent and 0.9 per cent in 2018 and 2019. This is a stronger development than in the previous forecast, which is mainly due to higher economic growth.

Net lending is a better indicator of the underlying central government finances than the net borrowing requirement and the budget balance. Net lending accrues payments to the point in time when the economic activity took place.

**Figure 2 Central government net lending and the budget balance**



Net lending is also adjusted for payments that do not affect central government's financial wealth. If, for example, central government sells financial assets such as shares, this does not affect net lending. Central government merely redistributes assets in its balance sheet, i.e. shares are exchanged for cash. However, when the payment is made, the budget balance is affected and the central government debt decreases. Amortising the central government debt does not affect the net asset position of central government either since the assets decrease just as much.

**Table 9 Central government net lending**

SEK billion	2015	2016	2017	2018	2019
<b>Budget balance</b>	<b>-33</b>	<b>85</b>	<b>28</b>	<b>47</b>	<b>55</b>
<b>Delimitations</b>	<b>34</b>	<b>40</b>	<b>9</b>	<b>11</b>	<b>11</b>
Sale of limited companies	0	0	0	0	0
Extraordinary dividends	-9	-2	0	0	0
Parts of Debt Office's net lending	17	16	10	17	5
Other delimitations etc.	26	25	0	-6	7
<b>Accruals</b>	<b>11</b>	<b>-56</b>	<b>8</b>	<b>-20</b>	<b>-23</b>
Taxes	11	-44	15	-25	-27
Interest payments etc.	0	-12	-7	5	4
<b>Central government net lending</b>	<b>12</b>	<b>69</b>	<b>46</b>	<b>38</b>	<b>43</b>
<b>Per cent of GDP</b>	<b>0.3</b>	<b>1.6</b>	<b>1.0</b>	<b>0.8</b>	<b>0.9</b>

In the same way, net lending is not affected by lending to the Riksbank. This is because, in its balance sheet, central government receives an asset (a claim on the Riksbank) that corresponds to the increased indebtedness incurred in order to

finance lending to the Riksbank. On the other hand, the budget balance and central government debt are affected.

Nor is central government net lending affected by excess deposits in tax accounts. These excess deposits are counted as borrowing instead of tax income.

## Monthly forecasts of net borrowing requirement

The net borrowing requirement varies strongly between months. The following table presents monthly forecasts until and including December 2018.

Much of the variation between months is explained by how tax income, tax refunds and on-lending by the Debt Office are spread over the year. Some individual payments also impact on the monthly pattern, one example being the annual payment of premium pension funds.

The large net borrowing requirement in December is normal and part of the explanation is payment of premium pension funds, excess tax and interest payments on the central government debt.

**Table 10 Central government net borrowing requirement per month**

	Primary balance	Net lending	Interest on central government debt	Net borrowing requirement
Oct-17	10.3	-2.4	-2.1	5.8
Nov-17	-18.8	-0.8	1.0	-18.7
Dec-17	54.1	31.4	6.8	92.3
Jan-18	-2.2	1.0	-1.2	-2.3
Feb-18	-53.7	2.4	-1.3	-52.7
Mar-18	-15.8	-3.9	3.3	-16.4
Apr-18	-2.6	-2.8	0.1	-5.2
May-18	-35.4	-6.3	0.9	-40.8
Jun-18	23.3	-5.4	4.0	22.0
Jul-18	2.9	-4.6	-0.6	-2.3
Aug-18	-22.0	-4.0	-0.6	-26.6
Sep-18	8.4	-2.8	-1.0	4.5
Oct-18	6.3	-2.9	-1.8	1.6
Nov-18	-24.3	-3.3	1.3	-26.3
Dec-18	50.4	39.1	8.2	97.6



## Sensitivity analysis

The Debt Office does not produce any overall sensitivity analysis for the net borrowing requirement. Instead a partial analysis of the effects that changes in certain key variables have is presented.

The table shows an estimate of what different changes mean for net borrowing requirement on a one-year term

<i>SEK billion</i>		
Increase by one per cent/percentage point		Effect on net borrowing requirement
Gross wages <sup>1</sup>		-7
Household consumption in current prices		-3
Unemployment (ILO 15-74) <sup>2</sup>		3
Interest rate level in Sweden <sup>3</sup>		5
International interest rate level <sup>3</sup>		2
Asylum seekers, increase of 10 000		2

<sup>1</sup> Local government taxes on employment are paid to local authorities with a one-year time lag. This means that the effect on the net borrowing requirement in one year's time is bigger than the permanent effect

<sup>2</sup> Includes effects on unemployment insurance benefits, the job and development guarantee programme and the job guarantee scheme for young people.

<sup>3</sup> This relates to an effect on interest payments on government debt.



## Forecast comparisons

All forecasters expect negative borrowing requirements during the period. The Government and the Debt Office have similar profiles, in which central government finances get stronger and the net borrowing requirement decreases between the years. The National Financial Management Authority instead expects the net borrowing requirement in 2018 to be higher than in 2017. Much of the difference between the Debt Office and the National Financial Management Authority can be explained by different assumptions regarding excess deposits in tax accounts. The National Financial Management Authority expects these excess deposits to decrease by SEK 30 billion in 2018. The Debt Office uses cut-off interest rates in its calculations, which means that the excess deposits are largely expected to remain in place and that there will also continue to be a small inflow from businesses next year.

For 2019 the Debt Office forecasts a higher net borrowing requirement than the National Financial Management Authority. This can largely be explained by the fact that the Debt Office assumes fiscal policy reforms of SEK 15 billion in 2019 while the National Financial Management Authority has the principle of using existing rules in its calculations. The NIER has not yet published a forecast of the borrowing requirement for 2019.

SEK billion	Debt Office (25 Oct)			Government (20 Sep)			NIER (10 Oct)			ESV (6 Sep)		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Net borrowing requirement	-28	-47	-55	-24	-44	-72	-45	-21	-	-38	-33	-98
of which:												
Sales of state assets	0	0	0	-5	-5	-5	0	0	-	0	0	0
<b>Adjusted net borrowing requirement</b>	<b>-28</b>	<b>-47</b>	<b>-55</b>	<b>-19</b>	<b>-39</b>	<b>-67</b>	<b>-45</b>	<b>-21</b>		<b>-38</b>	<b>-33</b>	<b>-98</b>

# Borrowing continues to decrease

Strong central government finances in the coming years lead to the reduction of borrowing in government bonds and inflation-linked bonds. The issue volume of government bonds is reduced to SEK 2 billion per auction and the volume of inflation-linked bonds to SEK 500 million per auction. The high use of repos with the Debt Office leads to substantial surpluses in liquidity management. To deal with this the issue volume of T-bills is also reduced. As of January 2018 the issue volume of T-bills will be SEK 5 billion per auction and the number of auctions of T-bills will also be halved.

## The borrowing requirement decreases in 2018

The borrowing requirement including refinancing of maturing loans is estimated at SEK 283 billion this year, see table 1. This is SEK 44 billion lower than in the June forecast. The borrowing requirement in 2018 is estimated at SEK 226 billion and therefore increases by SEK 38 billion compared with the previous forecast. In the Debt Office's forecast for 2019 the borrowing requirement is SEK 233 billion. For more information, see the section on the borrowing requirement.

**Table 1 Gross borrowing requirement**

SEK billion	2017	2018	2019
<b>Net borrowing requirement</b>	<b>-28</b>	<b>-47</b>	<b>-55</b>
Business day adjustment etc. <sup>1</sup>	12	3	1
Retail borrowing & collateral, net <sup>2</sup>	12	8	7
<b>Money market redemptions <sup>3</sup></b>	<b>144</b>	<b>155</b>	<b>75</b>
T-bills	84	88	20
Commercial paper	12	0	0
Liquidity management	48	68	55
<b>Bond redemptions, net switches and buy-backs</b>	<b>143</b>	<b>106</b>	<b>205</b>
Government bonds	66	5	99
Inflation-linked bonds	16	0	20
Foreign currency bonds <sup>4</sup>	62	101	87
<b>Total gross funding requirement</b>	<b>283</b>	<b>226</b>	<b>233</b>

<sup>1</sup> A difference occurs as borrowing is reported by business date while net borrowing requirement is reported by settlement date.

<sup>2</sup> Net change in retail borrowing and collateral.

<sup>3</sup> Initial stock maturing within 12 months. Commercial paper is included in Liquidity management.

<sup>4</sup> Calculated with the original issuance exchange rate.

The planned borrowing in government bonds is reduced from an annual volume of SEK 50 to 40 billion 2018, see table 2. This borrowing will also be SEK 40 billion in 2019. The reduction will be carried out by reducing the issue volume to SEK 2 billion per auction as of November this year and

remaining at this new level for the whole of the forecast period.

Borrowing in inflation-linked bonds will also be lower than in the June forecast. The annual volume is expected to be SEK 8.5 billion in both 2018 and 2019.

The Debt Office expects to refinance on-lending in foreign currency to the Riksbank throughout the forecast period. In its June forecast the Debt Office assumed that this lending would end. This assumption was based on a government proposal that meant that on-lending to the Riksbank would be ended at the beginning of 2018. However, the Government decided in September not to go ahead with that proposal, see also the fact box Foreign currency borrowing on behalf of the Riksbank.

**Table 2 New borrowing forecast**

SEK billion	2017		2018		2019
	Oct	(Jun)	Oct	(Jun)	Oct
<b>Money market funding <sup>1</sup></b>	<b>155</b>	<b>(195)</b>	<b>75</b>	<b>(108)</b>	<b>121</b>
T-bills	88	(110)	20	(60)	20
Liquidity management <sup>2</sup>	68	(85)	55	(48)	101
<b>Bond funding</b>	<b>127</b>	<b>(132)</b>	<b>150</b>	<b>(80)</b>	<b>112</b>
Government bonds	51	(52)	40	(50)	40
Inflation-linked bonds	12	(13)	9	(13)	9
Foreign currency bonds	65	(68)	102	(17)	63
Central Government	0	(0)	0	(17)	0
on behalf of the Riksbank	65	(68)	102	(0)	63
<b>Total gross funding</b>	<b>283</b>	<b>(327)</b>	<b>226</b>	<b>(188)</b>	<b>233</b>

<sup>1</sup> Outstanding stock as at year-end.

<sup>2</sup> Commercial paper is included in Liquidity management.

At the end of 2017 the supply of T-bills decreases from SEK 10 to 5 billion, on average, per auction. In addition the number of auction dates is halved. At the end of 2018 the outstanding stock of T-bills will be SEK 20 billion, which is SEK 40 billion lower than in the previous forecast.



**Table 3 Important dates 2017–2018**

Date	Time	Activity
10 Nov	09.30	Info on switches from SGB IL 3110
8–11 Dec	11.00	Switches from SGB IL 3110
21 Feb	09.30	Borrowing forecast 2017:3
2 May	09.30	Info on switches to SGB 1061
30 May	11.00	Introduction of SGB 1061
8–11 Dec	11.00	Switches from SGB IL 3110

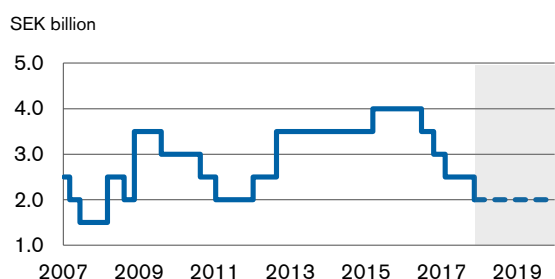
## Proposed guidelines for 2018

According to the Debt Office's proposed guidelines for 2018 the maturity of the nominal krona debt is to be extended by 0.3 years. In addition to the change in maturity, the Debt Office also proposes abolishing the present volume target of SEK 70 billion for krona debt with maturities of more than twelve years, and replacing it with a common maturity measure for the entire nominal krona debt. Taking account of these changes, the Debt Office proposes that the maturity should be between 4.3 and 5.5 years. The Debt Office uses interest rate swaps in the first place to steer maturity. The Government takes its decision on the guidelines in mid-November, but the Debt Office bases its planning on the proposal submitted.

## Lower auction volume of government bonds

Borrowing in government bonds decreases compared with the previous forecast. This issue volume planned is SEK 51 billion this year and SEK 40 billion for both 2018 and 2019. The auction volume is reduced to SEK 2 billion on 15 November 2017 and remains at that level throughout the forecast period, see figure 1. The number of auction dates is unchanged.

**Figure 1 Auction volumes of government bonds**



The bulk of the issues are made in ten-year reference loans in order to build up the volume of new bonds, see table 4 and figure 2. In the second

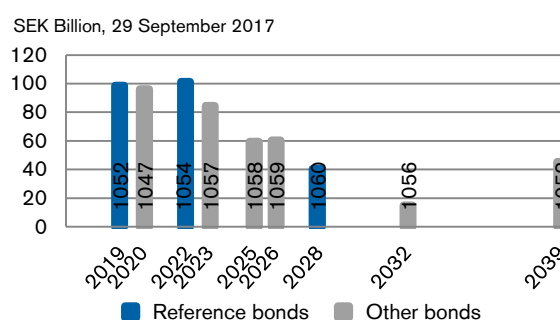
place, issues are made of five-year and two-year bonds. Bonds that are not reference loans may also be issued if this is justified in order to maintain the liquidity of the bonds.

**Table 4 Reference bonds in the electronic inter-bank market**

Date of change (IMM date) <sup>1</sup>	2-year	5-year	10-year
Current reference bonds	1052	1054	1060
20 Dec 2017	1047	1057	
19 Dec 2018			1061

<sup>1</sup> Please see the fact box on reference bonds.

**Figure 2 Outstanding government bonds**



On 30 May 2018 the Debt Office plans to introduce a new government bond in the ten-year segment, SGB 1061, X%, 12 November 2029. As usual, the Debt Office will offer switches to the new bond when it is introduced and also before the bond becomes a reference loan. For more information see table 3 about important events in 2017-2018.



## Reference bonds

The reference bond in electronic trading is the bond that is closest to two, five or ten years in terms of maturity. Reference bonds are only changed on the IMM date (third Wednesday in March, June, September and December) provided the new bonds are the bonds that are closest in terms of maturity to two, five or ten years on the subsequent IMM date. The underlying bond in a forward contract will always be the same as a reference bond during the last three months of the contract. The date of change of reference bonds refers to the settlement date. The first trading day for a new reference bond is normally the Monday preceding an IMM date.

## Stock of T-bills decreases substantially in 2018

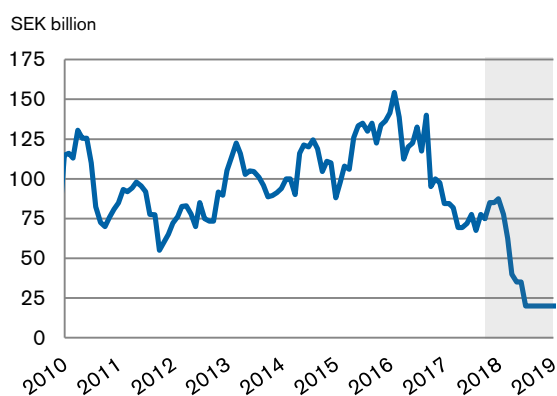
Up to the end of 2017 the Debt Office plans to issue T-bills for about SEK 10 billion per auction. However, on account of the high demand on its repos the Debt Office's short-term borrowing in 2018 risks being higher than can be justified by the borrowing requirement, see also the fact box on The Riksbank's bond purchases and the Debt Office's market commitment. This means that the large volume in the standing repo facility forms a kind of involuntary short-term borrowing crowding out other short-term borrowing.

To reduce the risk of excess borrowing the auction volume of T-bills is being reduced to SEK 5 billion per auction as of 10 January 2018. At the same time the number of auctions is being halved, which means that during the rest of the forecast period there will only be one auction per T-bill.

The planned borrowing in T-bills may need to be revised upwards in a situation when demand for repos decreases.

The total stock of T-bills is expected to be SEK 88 billion at the end of 2017, which is SEK 23 billion lower than in the June forecast. At the end of 2018 the stock is expected to be SEK 20 billion, which is SEK 40 billion lower than in the previous forecast. The stock is also planned to be SEK 20 billion at the end of 2019, see figure 3.

**Figure 3 Outstanding stock of T-bills**



## Continued low volume of new interest rate swaps

The Debt Office uses interest rate swaps to shorten the duration of the nominal krona debt. Historically this has led to the cost of the debt being lower. For a time, however, the cost saving has been assessed as small, so the volume of swaps has been reduced gradually. Table 5 shows that the planned volume of interest rate swaps remains at SEK 5 billion throughout the forecast period. The swaps are spread evenly over the year, but with some commercial flexibility.

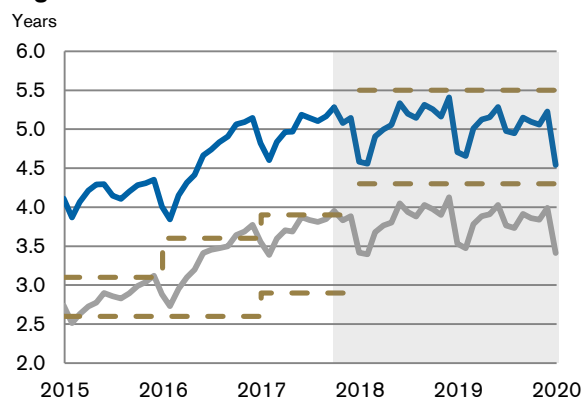
**Table 5 Change in outstanding swaps**

SEK billion	2017		2018		2019
	Oct	(Jun)	Oct	(Jun)	Oct
Interest rate swaps <sup>1</sup>	5	(5)	5	(5)	5
<b>Swaps total</b>	<b>5</b>	<b>(5)</b>	<b>5</b>	<b>(5)</b>	<b>5</b>
Swaps maturing	39	(39)	29	(29)	41
<b>Swaps, net change</b>	<b>-34</b>	<b>-(34)</b>	<b>-24</b>	<b>-(24)</b>	<b>-36</b>

<sup>1</sup> Interest rate swaps from fixed to floating rate in SEK.

The outstanding stock of swaps decreases by SEK 24 billion in 2018 and SEK 36 billion in 2019. The Debt Office does not normally close swaps previously entered into before they mature. The change in the stock is therefore due to the net of new and maturing swaps. The duration of the nominal krona debt is seen in figure 4.

**Figure 4 Duration of the nominal krona debt**

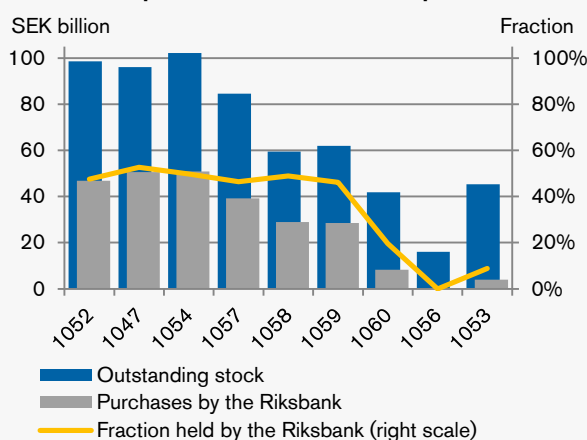




## The Riksbank's bond purchases and the Debt Office's market commitment

Up until September 2017 the Riksbank has net purchased government bonds for about SEK 287 billion. The purchases have mainly been nominal bonds with maturities of up to 10 years. The Riksbank owned just over 46 per cent of the stock of these bonds at the end of September 2017.

### Outstanding nominal bonds and the Riksbank's purchases as on 29 Sep 2017



In April the Riksbank decided to buy bonds for a further SEK 15 billion in the second half of 2017. In addition, during the year the Riksbank will reinvest funds amounting to about SEK 30 billion from coupon payments and maturities.

The share of the bond stock being traded actively has decreased on account of the Riksbank's purchases. Along with the government's declining borrowing requirement and new regulation this has contributed to a gradual deterioration of liquidity in the government bond market. The Debt Office's assessment is that the market for government bonds is still functioning satisfactorily but that the situation has become more strained. One

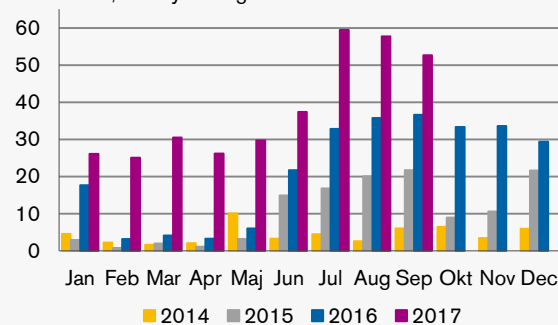
sign of this is that the volume of the Debt Office's repos with primary dealers has increased.

Repos are an important part of the Debt Office's market commitment. This commitment creates the conditions for a well-functioning repo market and therefore for a liquid government bond market. This facility is important when a shortage situation arises in the market.

In the third quarter of 2017 the Debt Office has been repoing out government bonds for more than SEK 55 billion per day. This is significantly more than previously.

### The Debt Office's repos in government bonds

SEK billion, monthly averages of settlement amounts

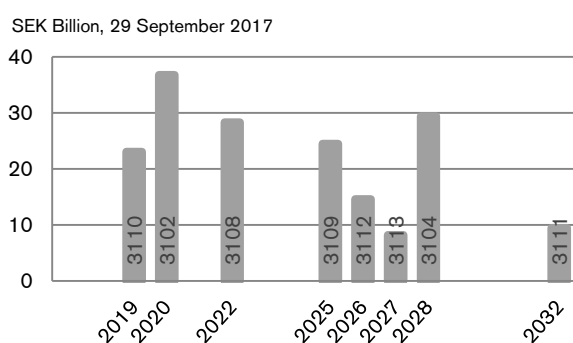


These repos are extra financing over and above the financing that the Debt Office normally plans for. However, the current repo volumes have meant that the Debt Office had to cut back on other short-term borrowing to avoid excessive and long-term surpluses in liquidity management. The repos are included in the item liquidity management, see table 2. Note that the amount in the table is reported net, which means that the gross financing in, for instance, repos can be larger.

## Borrowing in inflation-linked bonds decreases

Borrowing in inflation-linked bonds decreases to SEK 12 billion this year and SEK 8.5 billion in 2018. The issue volume also remains unchanged at SEK 8.5 billion in 2019. The auction volume is reduced from SEK 750 to SEK 500 million in the auction on 9 November 2017 and then remains at that level throughout the forecast period. The number of auction dates is unchanged.

**Figure 5 Outstanding inflation linked bonds**



During the forecast period the Debt Office will issue in the ten-year segment in the first place, i.e. SGB IL 3110 and the new ten-year bond SGB IL 3112 and the new ten-year bond SGB IL 3113, see figure 5. The plan also contains a small number of issues of SGB IL 3109, which has eight years to maturity. Issues of other bonds may also be considered if justified so as to maintain the liquidity of the bonds.

### Handling of short inflation-linked bonds

The Debt Office has the practice not letting more than SEK 20 billion of an inflation-linked bond go to maturity. When inflation-linked bonds have a larger volume, the Debt Office offers switches to longer inflation-linked bonds when about one and a half years remain to maturity.

During the final year of the bond there are no issues or switches of the bond. Instead the Debt Office offers a buyback facility, where any buybacks are made at a premium.

In December the Debt Office will offer switches of SGB IL 3110, which matures on 1 June 2019 to longer inflation-linked bonds, see table 3 for more information. After that the Debt Office plans to offer switches in 2019 of SGB IL 3102 maturing in 2020.



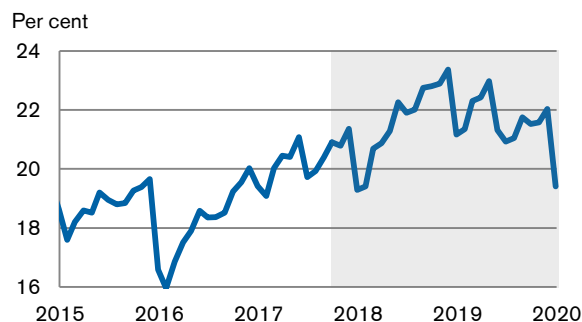
## Switches of inflation-linked bonds

Primary dealers are able to switch inflation-linked bonds via the Debt Office. The switch interest rates are based on current market rates and demand plus a certain premium. At present primary dealers can make switches for a maximum of SEK 500 million per calendar week.

The Debt Office seeks to ensure that the inflation-linked bonds are of equal size in the long term and wishes to avoid the stocks of individual bonds being too large or too small. The Debt Office is therefore able to apply more generous pricing in its standing switch facility when primary dealers want to sell bonds whose stock is too large. In the same way, a more restrictive price can be set when primary dealers want to buy inflation-linked bonds whose outstanding stock is already large.

Even though the issue volumes of inflation-linked bonds have decreased in the past year, the maximum volume that primary dealers are able to switch has remained at the same level. Now issue volumes are decreasing further. The risk is that the relative size of the switches might hinder steering the maturity profile of the inflation-linked debt. The Debt Office is therefore considering reducing the maximum permitted volume that a primary dealer is able to switch in a calendar week and welcomes views and proposals on this matter.

**Figure 6 Proportion of inflation-linked debt**



According to the guidelines for central government debt management the share of inflation-linked

bonds is to be 20 per cent of the total debt in the long term. Figure 6 shows the expected development of the inflation-linked debt. The share of inflation-linked debt is estimated at 22 per cent on average during the forecast period.

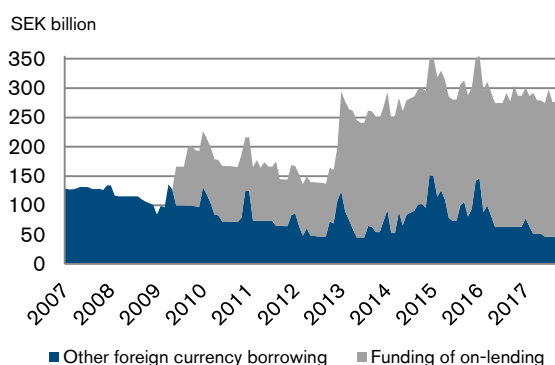
## Foreign currency borrowing for the Riksbank continues

The Debt Office expects to issue foreign currency bonds throughout the forecast period in order to refinance loans to the Riksbank. In 2017 this refinancing is expected to total SEK 65 billion, which is slightly lower than in the previous forecast, the reason being that the krona has strengthened since then. In 2018 and 2019 refinancing is expected to be SEK 102 billion and SEK 63 billion.

In its June report the Debt Office planned to issue foreign currency bonds corresponding to SEK 17 billion on its own behalf. The reason was to maintain its presence in the international capital market since borrowing on behalf of the Riksbank was expected to cease, see the fact box Foreign currency borrowing on behalf of the Riksbank. Now that borrowing on behalf of the Riksbank is going to continue, the Debt Office no longer intends to raise foreign currency loans on its own behalf.

On-lending to the Riksbank amounted to SEK 237 billion on 29 September, which is slightly lower than in the previous report. The difference is mainly due to the weakening of the USD. Figure 7 shows outstanding bonds and commercial paper in foreign currency for on-lending to the Riksbank and on behalf of central government.

**Figure 7 Outstanding stock of commercial paper and foreign currency bonds**



## Foreign currency borrowing on behalf of the Riksbank

In March 2017 the Government presented a proposal intended to strengthen the Riksbank's financial independence and balance sheet. The proposal was that the Riksbank be given a statutory right to raise loans in order to reinforce the foreign currency reserve, but that this right would only come into effect when the reserve had been used for liquidity support.

One consequence of the Government's proposal was that the Debt Office would no longer raise foreign currency loans on behalf of the Riksbank. In its report Government Borrowing 2017:2 the Debt Office assumed that the Government's proposal would be implemented. It was therefore assumed that borrowing on behalf of the Riksbank would end in 2018.

In September 2017 the Government announced that the Riksbank Committee of Inquiry was being tasked with investigating the financial independence and balance sheet of the Riksbank. This means that no more will be done to process the proposal referred for consultation in March.

So the assumption made by the Debt Office in the report Government Borrowing 2017:2 is no longer applicable. Instead it is assumed that foreign currency borrowing on behalf of the Riksbank will continue for the time being.

## Net borrowing and central government debt

Table 6 shows how the net borrowing requirement is financed using various instruments. Negative net borrowing means that the volume issued is smaller than the volume maturing or bought back in switches.

**Table 6 Net borrowing per calendar year**

SEK billion	2016	2017	2018	2019
Net borrowing requirement	-85	-28	-47	-55
Business day adjustment <sup>1</sup>	-7	12	3	1
<b>Net borrowing requirement</b>	<b>-92</b>	<b>-17</b>	<b>-44</b>	<b>-54</b>
<b>Retail funding &amp; collateral, net</b>	<b>-6</b>	<b>-12</b>	<b>-8</b>	<b>-7</b>
<b>Net money market funding</b>	<b>-140</b>	<b>11</b>	<b>-80</b>	<b>46</b>
T-bills	-57	3	-68	0
Commercial paper	-75	-12	0	0
Liquidity management	-8	20	-12	46
<b>Net bond market funding</b>	<b>54</b>	<b>-16</b>	<b>44</b>	<b>-93</b>
Government bonds	27	-15	35	-59
Inflation-linked bonds	15	-4	9	-12
Foreign currency bonds	11	3	1	-23
<b>Total net borrowing</b>	<b>-92</b>	<b>-17</b>	<b>-44</b>	<b>-54</b>

<sup>1</sup> A difference occurs as borrowing is reported by business date while net borrowing requirement is reported by settlement date.

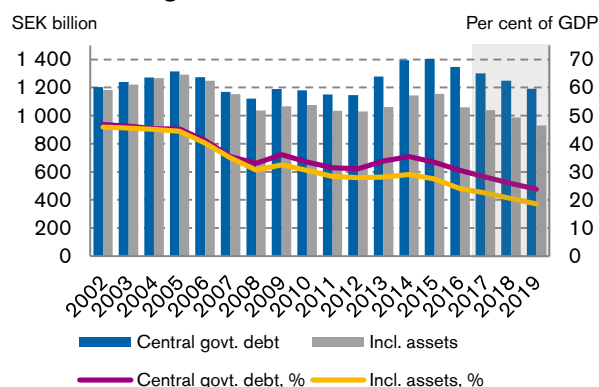
The change in the central government debt is due not only to the net borrowing requirement but also to what are called debt adjustments. Debt adjustments consist mainly of accrued inflation compensation and currency exchange effects. Since the official measure of the central government debt is the gross debt, the Debt Office's money market assets (assets in debt management) are not deducted. These assets are funds temporarily invested in the money market until they are used to pay expenditure in the central government budget or maturing loans. In the past year the Debt Office has had a greater than normal investment need on account of a surplus in central government finances in combination with greater repo volumes.

Figure 8 and table 7 show the development of the central government debt in coming years. The

central government debt at the end of 2019 is estimated at SEK 1 192 billion. This corresponds to a GDP share of 24 per cent.

The Debt Office also reports the net central government debt including assets. That figure includes not only assets in debt management but also assets in the form of claims from on-lending to foreign states and to the Riksbank. Measured in this way the debt is 19 per cent of GDP at the end of 2019.

The measure, "central government debt including on-lending and assets in debt management", is used in the steering of the central government debt according to the guidelines adopted by the Government, and in the Debt Office's internal risk management. On-lending is a claim for central government, but unlike assets in the money market it is not available for the payment of central government expenditure.

**Figure 8 Development of the central government debt**



**Table 7 Net borrowing and the central government debt**

SEK billion	2013	2014	2015	2016	2017	2018	2019
Net borrowing requirement	131	72	33	-85	-28	-47	-55
Business day adjustment etc. <sup>1</sup>	0	-4	0	-7	12	3	1
<b>Net borrowing per business day</b>	<b>131</b>	<b>68</b>	<b>32</b>	<b>-92</b>	<b>-17</b>	<b>-44</b>	<b>-54</b>
<b>A. Nominal amount including money market assets</b>	<b>1 253</b>	<b>1 321</b>	<b>1 353</b>	<b>1 261</b>	<b>1 244</b>	<b>1 201</b>	<b>1 146</b>
Inflation compensation	29	25	19	21	23	25	19
Exchange rate effects	-19	30	29	40	8	-1	2
<b>B. Nominal amount to current exchange rate incl. inflation compensation and money market assets</b>	<b>1 262</b>	<b>1 376</b>	<b>1 401</b>	<b>1 321</b>	<b>1 276</b>	<b>1 224</b>	<b>1 167</b>
Assets under management	15	18	3	26	25	25	25
<b>C. Central government debt</b>	<b>1 277</b>	<b>1 394</b>	<b>1 403</b>	<b>1 347</b>	<b>1 301</b>	<b>1 249</b>	<b>1 192</b>
Assets under management	-15	-18	-3	-26	-25	-25	-25
On-lending	-201	-233	-247	-263	-237	-238	-238
<b>D. Central government debt incl. on-lending and assets under management</b>	<b>1 061</b>	<b>1 143</b>	<b>1 154</b>	<b>1 059</b>	<b>1 039</b>	<b>987</b>	<b>929</b>
Nominal GDP	3 770	3 937	4 200	4 406	4 627	4 824	5 006
<b>C. Central government debt, % of GDP</b>	<b>34</b>	<b>35</b>	<b>33</b>	<b>31</b>	<b>28</b>	<b>26</b>	<b>24</b>
<b>D. Central government debt incl. on-lending and money market assets, percentage share of GDP</b>	<b>28</b>	<b>29</b>	<b>27</b>	<b>24</b>	<b>22</b>	<b>20</b>	<b>19</b>

<sup>1</sup> A difference occurs as borrowing is reported by business date while net borrowing requirement is reported by settlement date.



## Measuring central government debt

The Central government debt is calculated as the value of outstanding debt instruments at the reporting date, calculated in accordance with established principles. Within the debt management there may also be certain assets that are temporarily invested in the money market until they are used to pay expenses. The assets mean that the actual liability is less than the sum of outstanding debt instruments. Liabilities are reported with a positive sign and assets with a negative sign. The account is based on business day.

Nominal amount or face value (A in the table above) is the sum of the amounts that the Debt Office is committed to paying when a debt instrument matures and receives at maturity if it is an asset. The amount is reported in SEK at the exchange rate at the time of borrowing.

The next step (in B above) is to report the nominal amounts at the current exchange rate and add the accrued inflation compensation for outstanding inflation-linked government bonds. The official measure of government debt (in C) is defined as the Central government gross debt, without the assets.

To obtain this measurement, we add the financial assets to measure B.

The Debt Office also reports "Central government debt including on-lending and assets under management" (under D above). This includes not only the assets under management but also certain other financial assets, namely on-lending to the Riksbank and foreign states. This measure is used in the management of government debt in accordance with guidelines adopted by the government and in our internal risk management. On-lending is a government claim, but not in the same manner as assets under management available for payment of government spending.

Internationally the term "General government consolidated gross debt" is often used. It is calculated as the total debt owed by the state, county council, municipalities and pension system to lenders outside the public sector. The debt is consolidated in the sense that liabilities within the public sector are excluded. This definition is not shown in the table above.

# Market information

## Auction dates

### Government bonds, auction dates

Announcement date	Auction date	Settlement date
08-Nov-17	15-Nov-17	17-Nov-17
22-Nov-17	29-Nov-17	01-Dec-17
06-Dec-17	13-Dec-17	15-Dec-17
17-Jan-18	24-Jan-18	26-Jan-18
31-Jan-18	07-Feb-18	09-Feb-18
14-Feb-18	21-Feb-18	23-Feb-18
28-Feb-18	07-Mar-18	09-Mar-18
14-Mar-18	21-Mar-18	23-Mar-18
28-Mar-18	04-Apr-18	06-Apr-18
11-Apr-18	18-Apr-18	20-Apr-18
25-Apr-18	02-May-18	04-May-18
09-May-18	16-May-18	18-May-18
23-May-18	30-May-18	01-Jun-18
02-May-18	31-May-18*	04-Jun-18
02-May-18	01-Jun-18*	05-Jun-18
02-May-18	04-Jun-18*	07-Jun-18
05-Jun-18	13-Jun-18	15-Jun-18

\*Exchange auction

### Inflation-linked bonds, auction dates

Announcement date	Auction date	Settlement date
02-Nov-17	09-Nov-17	13-Nov-17
16-Nov-17	23-Nov-17	27-Nov-17
30-Nov-17	07-Dec-17	11-Dec-17
10-Nov-17	08-Dec-17*	12-Dec-17
10-Nov-17	11-Dec-17*	13-Dec-17
11-Jan-18	18-Jan-18	22-Jan-18
25-Jan-18	01-Feb-18	05-Feb-18
08-Feb-18	15-Feb-18	19-Feb-18
08-Mar-18	15-Mar-18	19-Mar-18
05-Apr-18	12-Apr-18	16-Apr-18
19-Apr-18	26-Apr-18	30-Apr-18
17-May-18	24-May-18	28-May-18
31-May-18	07-Jun-18	11-Jun-18

\*Exchange auction

### Government bonds, outstanding amounts 29 Sept 2017

Maturity date	Coupon %	Bond no.	SEK Million
12-Mar-19	4.25	1052	98 550
01-Dec-20	5.00	1047	96 054
01-Jun-22	3.50	1054	101 131
13-Nov-23	1.50	1057	84 477
12-May-25	2.50	1058	59 376
12-Nov-26	1.00	1059	60 391
12-May-28	0.75	1060	40 365
01-Jun-32	2.25	1056	15 000
30-Mar-39	3.50	1053	45 250
Total government bonds			600 594

### Inflation-linked bonds, outstanding amounts 29 Sept 2017

Maturity date	Coupon %	Bond no.	SEK Million
01-Jun-19	0.125	3110	23 091
01-Dec-20	4.00	3102	36 792
01-Jun-22	0.25	3108	28 356
01-Jun-25	1.00	3109	24 481
01-Jun-26	0.125	3112	14 607
01-Dec-27	0.125	3113	8 194
01-Dec-28	3.50	3104	29 443
01-Jun-32	0.125	3111	9 436
Total Inflation-linked bonds			174 400

**T-bills, auction dates**

Announcement date	Auction date	Settlement date
01-Nov-17	08-Nov-17	10-Nov-17
15-Nov-17	22-Nov-17	24-Nov-17
29-Nov-17	06-Dec-17	08-Dec-17
13-Dec-17	20-Dec-17	22-Dec-17
03-Jan-18	10-Jan-18	12-Jan-18
24-Jan-18	31-Jan-18	02-Feb-18
21-Feb-18	28-Feb-18	02-Mar-18
21-Mar-18	28-Mar-18	03-Apr-18
30-Apr-18	08-May-18	11-May-18
05-Jun-18	12-Jun-18	14-Jun-18
27-Jun-18	04-Jul-18	06-Jul-18

**T-bills, outstanding amounts 29 Sept 2017**

Maturity date	SEK Million
18-Oct-17	10 000
15-Nov-17	20 000
20-Dec-17	17 500
21-Mar-18	27 500
<b>Total T-bills</b>	<b>75 000</b>

**Rating**

Agency	Rating
Moody's	Aaa
Standard & Poor's	AAA
Fitch	AAA

**Primary dealers**

Primary dealers	Government bonds	Inflation-linked bonds	T-bills	Telephone
Barclays	●			+44 207 773 8379
Danske Markets	●	●	●	+46 8 568 808 44
Handelsbanken Markets	●	●	●	+46 8 463 46 50
NatWest Markets	●			+44 207 805 0363
Nordea Markets	●	●	●	+45 3333 1609 / +46 8 614 91 07
SEB	●	●	●	+46 8 506 231 51
Swedbank	●	●	●	+46 8 700 99 00

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