RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

2022-10-27

Central government borrowing

Forecast and analysis 2022:3

Reg.no RG 2022/211

The Debt Office's assignment

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

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

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

Preface

In Central Government Borrowing – Forecast and Analysis 2022:3, the Debt Office presents forecasts for central government finances and borrowing for 2022–2024. An assessment of the macroeconomic development is provided in the first section. The next section presents forecasts for the budget balance and the underlying analysis. These forecasts serve as the basis for the borrowing plan, which is discussed in the last section of the report.

The report takes into account developments up to 12 October 2022.

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Summary

A rapid slowdown in the economy leads to weaker central government finances next year. Temporary factors related to the high price of electricity also weigh on the budget balance. This creates an increased borrowing requirement for the central government, which the Debt Office is financing with short-term borrowing.

The Swedish economy is slowing as inflation is the highest in several decades and interest rates have risen. The Debt Office expects the economy to shrink next year and unemployment to increase. Altogether, the expected macroeconomic development has an adverse effect on the central government budget balance.

The budget balance is also adversely affected by expected disbursements of electricity price compensation in some form. The Debt Office's new forecast points to a smaller surplus this year and the next compared with the previous forecast. For the new forecast year 2024, the Debt Office sees the surplus shrinking further. The budget forecast is associated with great uncertainty, mainly in regard to outflows from tax accounts and other temporary factors pertaining to the high electricity price, such as congestion-rent revenue and electricity price compensation.

The Debt Office is meeting the larger borrowing requirement through treasury bills and other short-term borrowing. The issuance of nominal and inflation-linked bonds remains at the current volumes, while the planned issuance of a foreign currency bond has been rescheduled from 2022 to 2023. The central government debt continues to decrease because the budget balance, despite weakening, still shows a surplus.

Table 1. Swedish economy – forecast key figures

	2022	2023	2024
GDP growth (annual rate in %)	2.4 (2.2)	-1.0 (1.8)	1.3 (–)
Unemployment (% of labour force)	7.4 (7.5)	7.9 (7.2)	8.3 (–)
CPIF inflation (annual rate in %)	7.8 (5.5)	5.4 (2.8)	1.8 (–)

Note: Figures from the previous forecast are in parentheses.

Table 2. Central government finances – forecast key figures

	2022	2023	2024
Budget balance (SEK billion)	91 (102)	27 (75)	12 (–)
Central government debt (SEK billion)	1,132 (1,103)	1,117 (1,026)	1,109 (–)
Central government debt (% of GDP)	19 (19)	18 (17)	18 (–)
Public sector debt (% of GDP)	33 (33)	31 (30)	31 (–)

Note: Figures from the previous forecast are in parentheses.

Table 3. Central government borrowing – forecast key figures

SEK billion

	2022	2023	2024
Nominal government bonds	46 (46)	40 (40)	40 (–)
Inflation-linked bonds	9 (9)	9 (9)	9 (–)
Green bonds	0 (0)	0 (0)	0 (–)
Treasury bills (stock at year-end)	83 (83)	158 (103)	140 (–)
Foreign currency bonds	0 (20)	22 (0)	0 (–)

Note: Figures from the previous forecast are in parentheses.

Swedish economy shrinks next year

The Swedish economy is experiencing a rapid slowdown. Inflation is the highest in several decades, thereby eroding household purchasing power and contributing to a shrinkage of the real economy and rising unemployment next year, according to the Debt Office's assessment. Altogether, the new macro picture has an adverse effect on the central government budget balance.

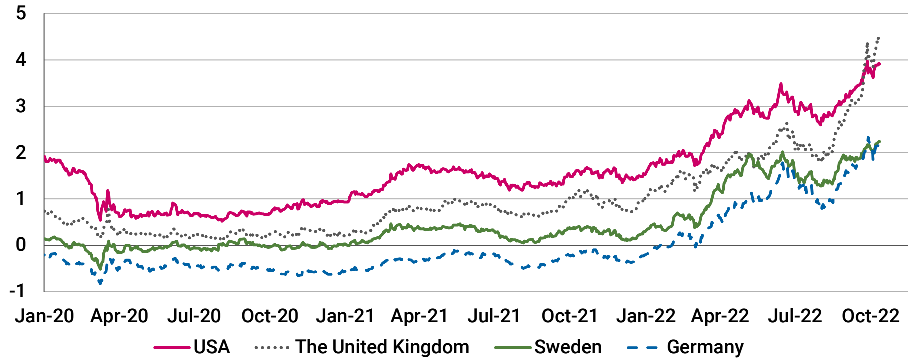
Following the strong recovery in recent years, the world economy is now experiencing an evident downturn. Tighter financial conditions since the beginning of the year, high inflation, and the energy crisis are inhibiting growth, especially in Europe. Inflationary pressure is high and central banks around the world are therefore tightening monetary policy. High inflation and rising interest rates are contributing to a drastic slowdown in both Europe and the US. Since the beginning of the year, bond yields have risen substantially (see Figure 1) and share prices have fallen. Increasing concern regarding unfunded fiscal policy stimulus measures in the UK to curb the high inflation have recently resulted in a sharp rise in UK bond yields.

The Swedish economy is now slowing rapidly. Inflation appears to be approaching the highest level since the early 1990s. Accordingly, real wages are falling and purchasing power is getting weaker. Interest rate sensitivity is high in the Swedish economy, which means that the tighter monetary policy is dampening demand relatively quickly. In current prices, household consumption and investment have also been revised down for 2023. The economic outlook entails an increase in unemployment next year.

The downside risks in regard to the economic development are significant. The uncertainty is mainly in relation to the energy crisis, the inflationary trend, the tightening of monetary policy, and the security political situation in the vicinity of Sweden. There is a substantial risk that inflation will not go down as quickly as in the Debt Office's assessment. That could result in more extensive interest rate hikes than expected and increased turbulence in the financial markets. Moreover, highly indebted households, businesses, and countries could experience problems over time (see in the In-depth part "Risks connected to higher interest rates in the euro area").

Figure 1. Yields on 10-year government bonds

Per cent



Source: Macrobond.

Drop in global demand

The outlook in the euro area has deteriorated significantly since the Debt Office's assessment from May. The energy crisis involving sharply reduced natural gas flows from Russia to Europe is hitting certain countries hard, mainly Germany and Italy, which are heavily dependent on Russian gas for their energy supply. The high electricity prices in combination with the European Central Bank's (ECB) rate hikes for curbing the inflationary pressure mean that households are going to have to drastically reduce their consumption in periods ahead. Energy-intensive companies are particularly hurt by the energy shortage and will need to reduce production over the winter. Despite various fiscal policy measures intended to mitigate the adverse effects on households and businesses, the Debt Office expects GDP in the euro area as a whole to fall by 1.5 per cent next year. For 2024, there is an upswing of close to 1.5 per cent in growth (see Table 1).

High inflation and substantial interest rate hikes cause growth in the US to slow during the forecast period. Nevertheless, a strong labour market mitigates the high inflation's adverse impact on household purchasing power. Growth in the US is revised down for both forecast years. For next year, growth in the US economy is only 0.8 per cent and then shifts up to 1.7 per cent for 2024.

Table 4. International forecasts

Annual percentage change

GDP	2021	2022	2023	2024
Euro area	5.2	2.9	-1.5	1.3
USA	5.7	1.8	0.8	1.7
China	8.1	3.2	4.4	-
Global	6.0	3.2	2.7	-

Note: The Debt Office's forecasts for the euro area and the US. For China and the world, forecasts from the IMF are used. These are available for years up to and including 2023.

Sources: The Debt Office and the IMF.

The Chinese economy has suffered as a result of the country's zero-tolerance policy in regard to the coronavirus. The crisis in the Chinese real estate sector and weak global demand also contribute to dampening growth in China, especially this year.

The fact that Germany has been hit hard by the energy crisis has a relatively substantial effect on Sweden via the trade channel, as 10 per cent of export goes there. Altogether, the Debt Office expects import demand in the countries to which Sweden exports to decrease by just over 2 per cent in 2023. For 2024, growth of the Swedish export market shifts up to 3 percent. This is just under the historical average of close to 4 per cent. The Swedish export market measures import demand for the countries to which Sweden has a large degree of export. The Debt Office calculates import demand by a combined weighting of the import in the euro area and the US.

Rapid downturn in Swedish economy

Since the summer, the outlook for the Swedish economy has become increasingly bleak. Energy and food prices keep going up, contributing to record-high inflation, which together with rising interest costs causes real household consumption to fall during the autumn and winter. In addition, there is concern that the energy crisis might get worse, which could result in an electricity shortage and even higher prices. Some businesses have already temporarily suspended operations as a result of the price of electricity, mainly in southern Sweden.

Table 5. GDP and its components, constant prices, forecast

Percentage change

	2021	2022	2023	2024
GDP	5.1	2.4	-1.0	1.3
Household consumption	6.0	3.1	-2.5	1.2
General govt. consumption	2.8	-0.1	3.2	1.0
Gross fixed cap. formation	6.3	5.2	-0.7	2.1
Change in inventories[1]	0.3	1.2	0.3	0.0
Export	7.9	3.9	-2.3	2.6
Import	9.6	7.8	-0.7	2.7
Net export[1]	-0.3	-1.4	-0.8	0.0
GDP (calendar adjusted)	4.9	2.4	-0.8	1.3

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

Sources: Statistics Sweden and the Debt Office.

The development among companies is also slowing down. Housing investment has begun to weaken and export is diminishing in line with global demand. Altogether, Swedish GDP is expected to fall at the end of this year and during the first half of 2023. Measured as an annual average, GDP growth is negative in 2023 and unemployment rises. During 2024, when inflation returns to more normal levels and purchasing power gradually stabilises, there is a degree of recovery in the economy, according to the Debt Office's forecast (see Table 2).

The Swedish economy is affected by the energy crisis to a slightly lesser extent than the euro area is. This is above all because Sweden's gas import is small. Swedish electricity prices are therefore not rising as much as prices on the continent, where the chaotic situation is creating enormous challenges. Compared with the forecast in May, the Debt Office has revised real GDP up by 0.2 percentage points for 2022 and down by a full 2.8 percentage points for 2023. The upward revision this year is a reflection of the economy having been unexpectedly resilient during the first half of the year.

Major revisions in current prices as well

Inflation is revised up substantially compared with the previous central government borrowing report. CPI inflation peaks at the beginning of next year at just over 14 per cent, according to the Debt Office's assessment. This is one of the highest rates of inflation in Sweden since the 1950s. The new price situation means that even the forecasts for deflators, which are used for calculating GDP and its components in current prices are revised up substantially for 2022–2023.

GDP – and its various components – in current prices are used in the calculations of the budget balance in the next chapter. Measured in current prices, GDP as well as household consumption have been revised up for 2022 and revised down for 2023, which are the same directions as the revisions for constant prices. Household consumption is one of the components of GDP with the greatest influence on central government tax income, via VAT and excise duties.

Table 6. Table 3 GDP and its components, current prices, forecast

Percentage change

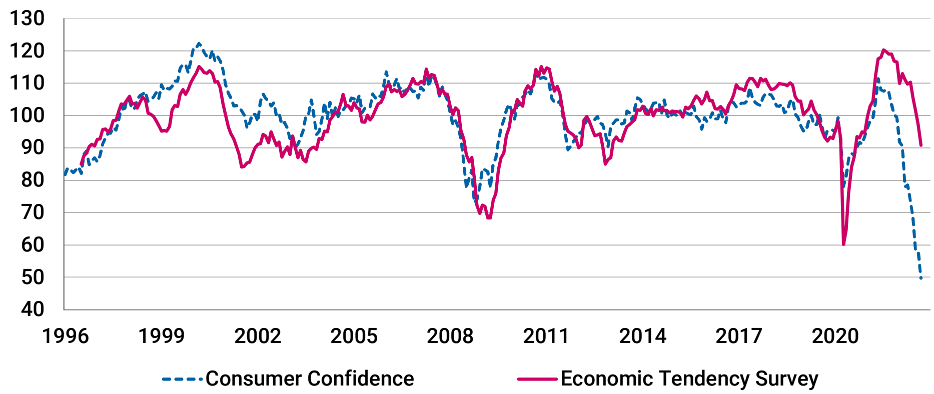
	2021	2022	2023	2024
GDP	8.2	8.7	2.8	2.6
Household consumption	8.0	10.3	2.5	2.1
General govt. consumption	5.9	5.6	8.0	4.4
Gross fixed cap. formation	10.4	14.5	-0.2	2.3
Change in inventories[1]	0.3	1.0	0.6	0.0
Export	12.3	20.0	-3.1	1.2
Import	13.2	27.1	-1.5	1.4
Goods import	15.8	32.5	-2.4	3.5

Note: 1 Contribution to GDP growth, percentage points

Sources: Statistics Sweden, National Institute of Economic Research, and the Debt Office.

Figure 2. GDP and its components, current prices, forecast

Percentage change



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

Source: National Institute of Economic Research.

The fact that prices are rising so rapidly means that consumption value in 2022 increases at the fastest rate in just over 30 years. Consumption continues to increase in terms of value (current prices) in 2023, despite the fact that it decreases in volume. In current prices, household consumption is revised up by almost 2 percentage points for 2022 and revised down by about the same amount for 2023. The new price situation also means that consumption patterns are changing as food and housing costs make up a greater portion of consumers' expenses.

Weaker investment trend expected

Investment in trade and industry increased at a rapid pace during the beginning of the year and the level of investment has reverted to the trend from before the pandemic. The high capacity utilisation and the need for climate policy adaptations contribute to some resilience in the volume of the level of investment. The energy crisis is also expected to lead to increased investment in the energy sector while the Swedish defence industry benefits from defence-related initiatives both in Sweden and abroad. However, high interest rates in combination with rising construction and financing costs mean that sharp declines in construction investments are imminent. For commercial real estate, which has experienced a negative trend for several quarters, the decline is also expected to accelerate.

Investments in current prices affect the borrowing requirement through, among other things, VAT on construction. The value of construction investments next year drops and then starts to recover somewhat, according to the Debt Office's forecast. Altogether, gross fixed investment is expected to grow by just over 2 per cent on average in 2023–2024, which falls short of the historical average.

Larger contributions from general government consumption

Public consumption is developing faintly this year as a combination of lower healthcare needs (patients) and high sick-leave absence (staff) contribute to a weak trend at the regional level. Next year, however, public consumption in terms of volume is expected to grow faster than the historical average. The defence expansion, along with the increased demographic need resulting from an increase in students and older people, is a contributor.

The value of general government consumption is used to calculate how much is to be paid to municipalities as compensation for the VAT on goods or services purchased from private business owners. Higher compensation for VAT increases the net borrowing requirement, all other things being equal. Government consumption in current prices increases by 6.2 per cent on average during 2023 and 2024, according to the Debt Office's forecast, exceeding the historical average.

Drop in both export volume and value next year

Export demand is now significantly affected by expectations that the energy crisis will have a massive adverse impact on demand in the euro area in particular, which is Sweden's most important trading partner. A shortage of input goods and delivery problems still account for some impediments to production. As a consequence of the worsened outlook internationally, import demand in the countries to which Sweden exports is expected to decrease by just over 2 per cent in 2023. The growth of Swedish export in terms of volume is expected to closely follow the growth of the export market (see page 7).

The way in which export value develops has a bearing on corporate tax. The value of export in 2022 is assessed to have increased at the fastest rate in 40 years, due to rapidly rising export prices. Next year, export is considerably dampened, and according to our forecast the nominal export value will be negative for 2023 and then rise slightly in 2024.

Worsened labour market situation in 2023

At the outset, the Swedish labour market is strong with good employment growth and decreasing unemployment. Next year, however, the situation in the labour market deteriorates as a result of the drop in GDP, and unemployment rises. Payroll continues to increase at a solid pace this year but falls back to historical levels during the forecast period.

Weaker development of employment in periods ahead

In the first half of 2022, employment grew rapidly, by almost 1 per cent per quarter on average. Several indicators point to continued high demand for labour in the coming months. Among other things, plans for hiring are at a high level within trade and industry despite having fallen back slightly in recent months. Furthermore, the statistics from the Swedish Public Employment Service (Arbetsförmedlingen), show an increase in available positions at the same time as notices of lay-off remain at low levels.

Despite a favourable position at the outset, the Debt Office's assessment is that employment growth will be lower as of next year compared with the assessment from May. In the second half of the year, there is even a drop in employment due to the negative development of consumption and export. In the forecast, the Debt Office assumes that the GDP development will have a somewhat delayed effect on the labour market. Towards the end of the forecast period, growth of employment shifts upwards and approaches more historical levels.

Unemployment increases next year

Unemployment measured according to the LFS has fallen sharply this year and amounted to 6.9 per cent in August. Even according to the Swedish Public Employment Service's statistics, unemployment has decreased markedly and is at slightly lower levels than those prior to the pandemic (see Figure 3).

The position at the outset, of high employment growth during the first half of the year, implies that unemployment will be somewhat lower this year than in the Debt Office's assessment from May. Weaker employment growth next year and in the beginning of 2024 means, however, that unemployment grows from 7.4 per cent in 2022 to 7.9 per cent in 2023 and 8.3 per cent in 2024, measured as an annual average (see Figure 3).

The downward revision of unemployment this year strengthens the central government budget balance, all other things being equal, as a result of lower public spending on labour market policies. For 2023, the effect is the opposite.

Very uncertain payroll development

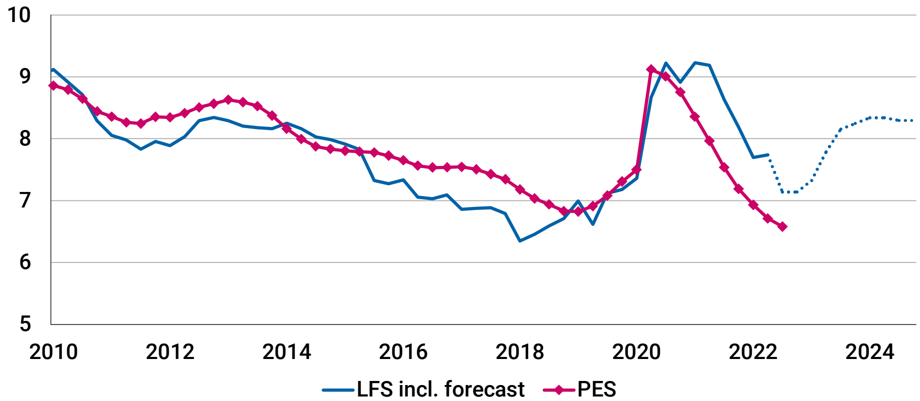
The Debt Office expects payroll growth of almost 6 per cent this year, which is over the historical average of 4 per cent. It then shifts down for 2023 and 2024, to around 3.5 per cent on average. The payroll development is stronger this year and weaker next year compared with the assessment from May.

The downward revision of payroll growth for 2023 is mainly due to the Debt Office's assessment that hours worked will have a significantly weaker development next year, as a result of the drop in GDP. Although the hourly wage is revised up for 2023, the number of hours worked is the main driver of the development of payroll. The somewhat stronger payroll development this year has a positive effect on payroll taxes and thereby increases the central government budget balance, all other things being equal. For 2023, the revisions of the payroll trend since the previous forecast mean that the level of payroll remains largely unchanged. Thereby, the direct effects on earned income and employers' contributions are negligible (see Chapter 2).

This autumn, wage-agreement negotiations for 2023 and beyond will begin. A strong labour market at the outset, high inflation, and rising wages internationally point to higher wage growth. A worsened state of the economy ahead may, however, lead to a degree of moderation in the wage negotiations. The Debt Office forecasts an increase in aggregate wages of just over 3.5 per cent per year in 2023 and 2024.

Figure 3. Different measures of unemployment

Per cent of the labour force



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

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

Peak of inflation still lies ahead

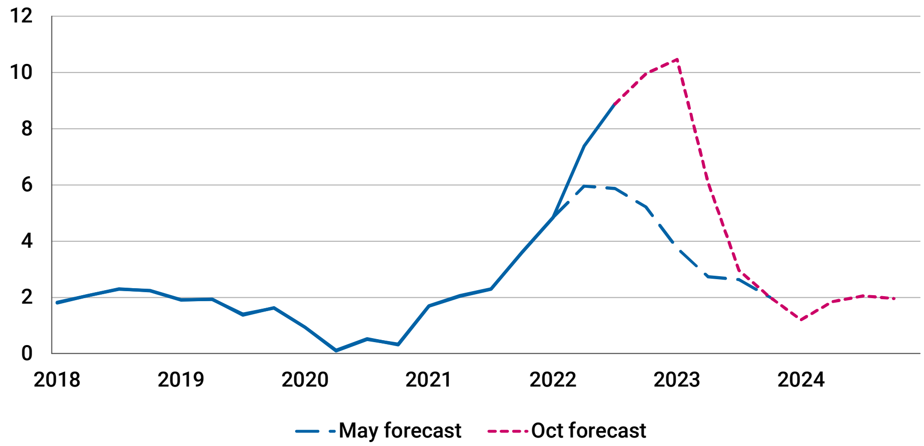
In recent years, the development in CPI and CPIF has been very similar but now that interest rates are rising the difference is greater. In September, CPIF inflation was 9.7 percent and CPI inflation was 10.8 per cent. Inflation is expected to continue to rise over the winter, and CPIF inflation peaks at 11 per cent in February, according to the Debt Office's forecast. The increase in the short term is largely because consumer prices for electricity are expected to be approximately twice as high this winter as they were a year ago. The situation in the European energy market means, however, that the forecast uncertainty is great. In addition, we do not know at present how the expected support for households and businesses will materialise or how inflation will be affected. The forecast assumes that the support will not directly affect inflation, which was also the case this spring.

During the spring of 2023, electricity prices are expected to go down, and forward pricing also indicates lower electricity prices during the winter of 2023–2024. This is likely a reflection of expectations that policy measures and energy investments will have the intended effect on the electricity market. In combination with the global market price of many goods and agricultural products having gone down in the last six months, inflation is therefore expected to abate relatively quickly, and CPIF inflation is just under 1 per cent at the beginning of 2024 according to the Debt Office's forecast (see Figure 4).

Inflation measured with CPI peaks as just over 14 per cent in February 2023. Measured as an annual average, CPIF inflation is expected to be 8.5 both this year and the next and 2.1 per cent in 2024. Even though the primary focus of monetary policy is CPIF, CPI is important because the level affects many transfer payments via the price base amount.

Figure 4. Inflation according to CPIF

Annual percentage change



Sources: Statistics Sweden and the Debt Office.

In-depth

Risks connected to higher interest rates in euro area

In light of the high inflation, several central banks have begun to tighten monetary policy with high policy rates and reduced bond purchases. This has caused government bond yields to rise, particularly in Europe. The interest rate trend in the euro area affects the Swedish economy and is an uncertainty in the Debt Office's forecast.

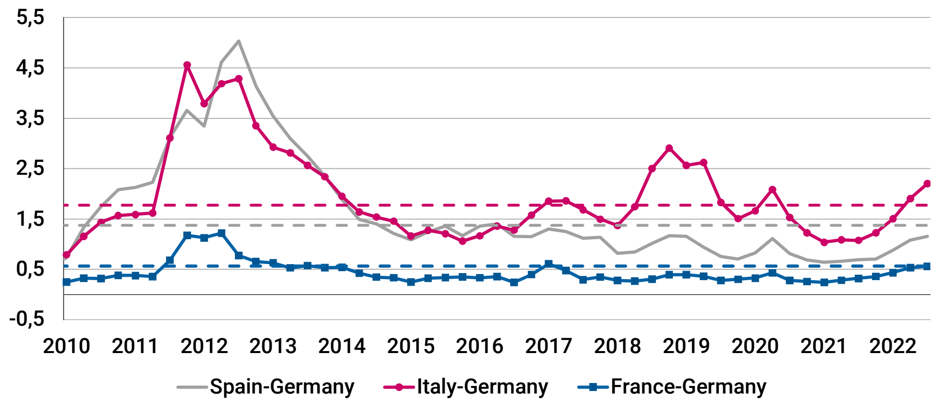
Signs of increased risk for debt problems in euro area

The European Central Bank (ECB) is one of the central banks facing the dilemma of curbing inflation without inhibiting growth. Elevated policy rates in combination with the ECB having concluded its asset-purchase programme could also lead to turbulence in the financial markets, with rapidly rising yields on government bonds for countries with high government indebtedness. There are already signs of such a development. The interest rate differentials between countries with high sovereign debt in relation to GDP (such as Italy) and low sovereign debt (such as Germany) have begun to increase. They remain, however, relatively low from a historical perspective and significantly lower than at the peak of the European sovereign debt crisis in 2012 (see Figure 5).

The risks have gone up recently given the high inflation and the economic effects of the war in Ukraine and the energy crisis. If there are further inflationary surprises on the upside, and interest rates rise more rapidly, highly indebted countries may experience problems. If growth is also low, the countries could end up in a situation similar to the debt crisis just over ten years ago. This scenario could have major adverse consequences and spread to small, open economies such as Sweden's.

Figure 5. Interest rate differentials for 10-year government bonds

Percentage points



Note: Quarterly data. The dashed lines show historical averages.

Source: The Debt Office and Macrobond.

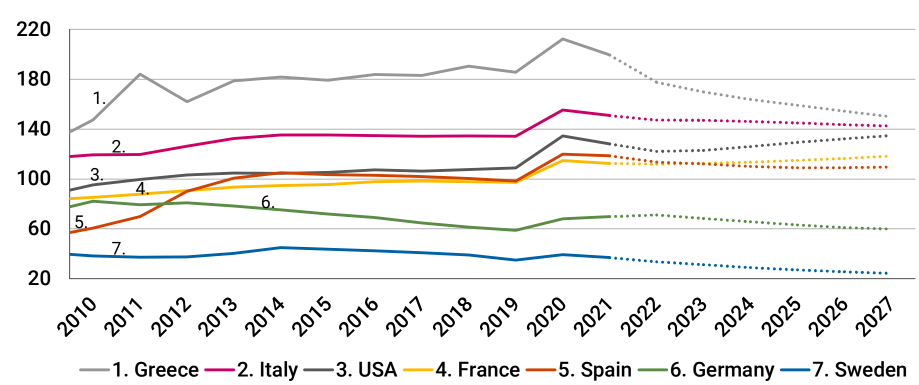
Baseline scenario is that a debt crisis is avoidable

Despite the risks having increased given the rising interest rates, high government indebtedness, and low growth, the Debt Office's baseline scenario is that a new debt crisis in the euro area can be avoided. Admittedly, several major economies in the euro area have a high level of sovereign debt. As a share of GDP, the level is even higher than the corresponding level from before the debt crisis in 2012 (see Figure 6). The International Monetary Fund's (IMF) assessment is, however, that the majority of countries will, over time, show unchanged or declining debt ratios. This is mainly due to a relatively favourable development of GDP in current prices.

Additionally, countries in the euro area have benefitted from many years of historically low interest rates through extending the average maturity for outstanding debt at favourable financing costs. This means that even if interest rates increase, the impact of increased rates on individual states' financing costs will be spread out gradually over several years.

Figure 6. Public sector gross debt in different countries

Share of GDP in current prices, per cent



Source: IMF.

European interest rates affect Swedish economy in several ways

Because Sweden is a small open economy, it is affected by the economic development in the euro area both through the trade of goods and services and via financial markets. Weaker economic activity in the euro area as a result of higher interest rates results, all other things being equal, in lower demand for Swedish export of goods and services and in dampened GDP growth. This, in turn, entails a weaker tax-base development, which weighs on the central government budget balance. The extent to which the budget balance will be affected is, however, uncertain and also depends on how domestic demand develops, as well as on how the economic policy is formed.

A more negative development in the euro area than in the baseline scenario would thus have significant consequences for the Swedish economy.

Economic picture is obscured by many uncertainty factors

Altogether, the risk is significantly greater of a worse economic development – that is, one with lower growth and higher inflation. The uncertainty involved in the forecasts is mainly in regard to the energy crisis, the inflationary trend, monetary policy, and an increasingly precarious international security situation.

Uncertain how serious the European energy crisis may become

A major uncertainty in the forecast is how serious the energy crisis in Europe will become and how extensive the effects on electricity prices, production, and consumption will be. The limited deliveries of natural gas from Russia resulted in a sharp spike in the price of natural gas this summer. Recently, prices have fallen back slightly. This is, among other things, due to well-stocked inventories and the fact that countries have made an active effort to provide support measures to mitigate the impact of the higher gas prices on households and businesses. At the EU level as well, countries have agreed on proposals for coping with the trend of skyrocketing energy prices. The Debt Office's baseline scenario assumes that companies on the European continent will reduce production over the winter in order to deal with the high energy prices. However, there is a great risk of companies being forced to cut back their production even more than in the Debt Office's assessment. If the gas from Russia is completely throttled, the situation could become even more problematic.

Even higher inflation could result in more rapid policy rate hikes

Over the last year, the Debt Office has underestimated the force of the price upswing. There is a risk of inflation being underestimated again, which could result in higher rate hikes and, over time, an even more rapid economic slowdown. When monetary policy normalises quickly, the risk of abrupt shifts in the economy goes up – because it takes time for the effects of already implemented measures to become apparent. The ever-higher indebtedness of households and businesses also means that the sensitivity to interest is high in the Swedish economy. Fiscal policy measures can mitigate the effects for households but also create conflicting objectives for monetary policy.

Uncertain security political situation

The war in Ukraine has had a major economic impact through sanctions, international trade, and the energy supply. Recently, the geopolitical security situation has deteriorated further and great uncertainty remains as to how significant the economic effects could become.

Central government budget surplus decreases

Central government finances become weaker than the Debt Office previously expected both this year and the next. This is mainly due to lower income from taxes this year, at the same time as the Debt Office assumes that temporary factors linked to high electricity prices will increase Debt Office net lending next year. The Debt Office's assumption of a decrease in capital placements in tax accounts is unchanged since the May forecast. Central government net lending shows a deficit this year and the next but then returns to a surplus in 2024.

The central government budget balance has developed more strongly than expected since the May forecast. This is mainly due to lower net lending by the Debt Office than in the forecast, because of higher deposits from Svenska kraftnät. Compared with the Debt Office's previous forecast, however, the budget balance is revised down both this year and the next. The Debt Office now forecasts a surplus of SEK 91 billion for 2022, SEK 27 billion in 2023 and SEK 12 billion in 2024 (see Table 7). This is SEK 12 billion lower this year and SEK 48 billion lower next year compared with the May forecast. For the 2022–2023 period, the net borrowing requirement – the budget balance with the opposite sign – thereby becomes SEK 60 billion higher than in the previous forecast.

Table 7. Central government budget balance, forecast, 2022–2023

SEK billion

Central government budget balance	2021	2022		2023		2024
	Outcome	Oct	May	Oct	May	Oct
Primary balance[1]	3	24	(51)	21	(24)	31
Debt Office net lending[2, 3]	74	93	(69)	19	(58)	-11
of which on-lending	57	61	(61)	64	(64)	0
Interest on central government debt[3]	1	-26	(-17)	-13	(-6)	-9
Budget balance[4]	**78**	**91**	**(102)**	**27**	**(75)**	**12**
Budget balance excl. on-lending to the Riksbank	**21**	**29**	**(41)**	**-37**	**(11)**	**12**
Central government net lending	**-48**	**-12**	**(-14)**	**-31**	**(10)**	**40**

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

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

[3] The table shows the net lending and interest on central government debt in terms of how they affect the budget balance. The signs are therefore reversed compared with that shown in Tables 10 and 11.

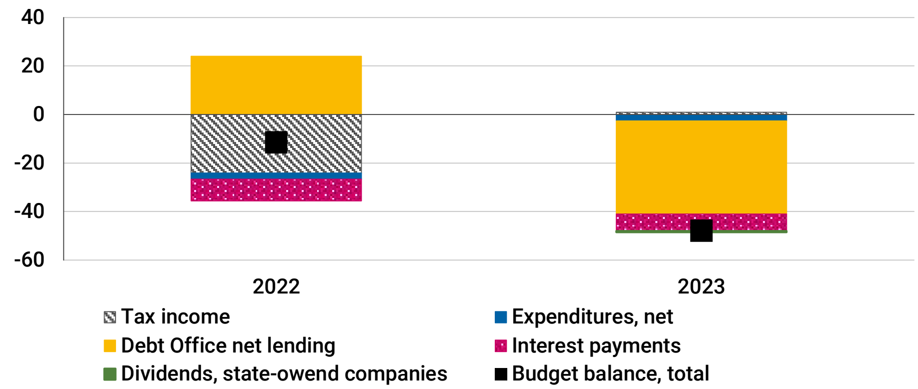
[4] The budget balance with the opposite sign is the central government's net borrowing requirement.

The budget balance in 2022 has been stronger than expected, largely as a result of the influx of revenue from capacity fees to Svenska kraftnät (so-called congestion rent). The Debt Office expects this effect to be partly offset during the final quarter. This is due in part to the Debt Office's assumption that parts of received congestion revenue will be returned to households and businesses in some form of electricity-price support and in part to increased tax disbursements, from higher supplementary tax, and a shift to the end the year for withdrawal of capital placements from tax accounts. Altogether, this entails a slight downward revision of the budget balance for 2022, even though the budget balance until now has shown a higher surplus than expected.

The Debt Office's new assumptions in regard to Svenska kraftnät's congestion revenue have a significant effect on the forecast. The inflow of congestion revenue is revised up sharply throughout the entire forecast period. However, the Debt Office assumes that large parts of the revenue coming in will be returned to households and businesses in some form. The Debt Office makes no explicit assumptions about the design, but expects that large parts of received congestion revenue will be paid out during the forecast period. Net lending by the Debt Office is therefore revised down overall this year but revised up next year. The full effect of the net-lending revisions are seen on the budget balance in 2023 in particular, as the primary balance is essentially unrevised. The major forecast changes are shown in Figure 7 and Table 8.

Figure 7. Forecast changes, budget balance

SEK billion



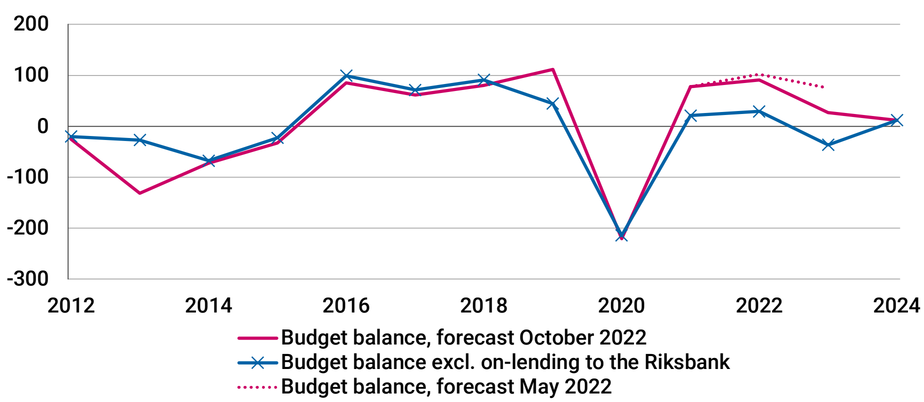
Note: The table shows changes in terms of the budget balance. A positive amount means that the budget balance improves and vice versa.

Source: The Debt Office.

A large part of the surplus this year and next year occurs because loans previously raised on behalf of the Riksbank for financing the foreign currency reserves are maturing without being refinanced (see Figure 8). The resulting reduction in on-lending causes a substantial decrease in Debt Office net lending, thereby strengthening the budget balance in both 2022 and 2023. Even when the on-lending is excluded, the central government budget balance continues to show a surplus this year, but a deficit next year. Interest payments on central government debt will be higher this year and next year, compared to the previous forecast.

Figure 8. Budget balance – outcome and forecast

SEK billion



Source: The Debt Office.

Because the Government's budget for 2023 has not yet been presented, the forecast is based on the Budget Bill for 2022. In addition, the Debt Office expects further unfunded fiscal policy measures that adversely impact the budget balance by SEK 40 billion in 2023, which is unchanged since the May forecast. For 2024, the Debt Office expects SEK 30 billion in unfunded measures. The Debt Office's assumes that some form of electricity-price support is financed by received congestion revenue and it is therefore not included in unfunded fiscal policy measures.

Table 8. Forecast changes in budget balance

SEK billion

	2022	2023
Budget balance according to previous forecast	102	75
Primary balance	-27	-3
Tax income excluding capital placements in tax accounts	-24	1
Capital placements in tax accounts	0	0
Dividends on state shares	0	-1
Defence	0	0
Labour market	6	4
Social insurance	1	-2
Migration	2	-2
International aid	1	1
Other	-11	-3
Debt Office net lending	24	-38
Interest on central government debt	-9	-7
Budget balance according to new forecast	91	27

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

Source: The Debt Office.

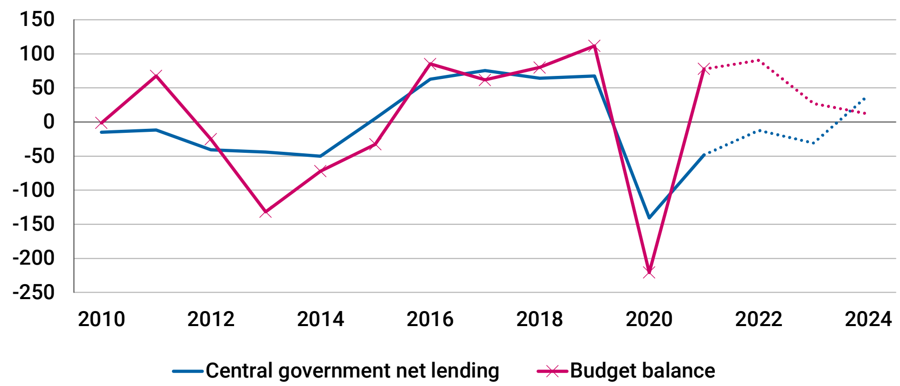
Central government net lending is negative and 2023

The Debt Office assesses there to be a deficit of SEK 9 billion in central government net lending this year. Next year, the net lending further deteriorates somewhat as the economic growth decreases. That will be the fourth consecutive year of a deficit. During the end of the forecast period, growth shifts up again, and for 2024 the net lending is assessed to again show a surplus (see Table 7 and Figure 9). As a share of GDP, the forecasts for net lending correspond to -0.2 per cent, -0.5 per cent, and 0.6 per cent.

Central government net lending normally develops more evenly than the budget balance. The biggest difference between the budget balance and central government net lending in the forecast period is from the loans that the Riksbank is repaying to the central government. These improve the budget balance but not the net lending. Variations in Svenska kraftnät's deposits at the Debt Office also have a major impact, mainly for individual years. Other significant differences are due to accrual effects on taxes such as the deferral of tax payments via respites, as well as capital placements in tax accounts.

Figure 9. Central government net lending and budget balance

SEK billion



Source: Statistics Sweden and the Debt Office.

In-depth

Higher prices and interest rates affect the budget balance

The current economic situation is unusual in several ways. Both prices and interest rates have gone up at a pace not seen for several decades. This also affects the budget balance, above all in the short term. The two primary effects in the shorter term are that price increases strengthen the budget balance while the increase in interest rates has the opposite effect.

The impact of the price increases in the shorter term can be divided into a general effect and a specific effect. The general effect is a result of the fact that inflation normally strengthens the budget automatically in the short term. A higher rate of increase in consumer prices causes the value of household consumption to rise. This means that tax income from VAT increases. At the same time, there are different slowing effects within regulated appropriations, administrative appropriations, and nominal fixed appropriations, such as ceilings in transfer-payment systems or the absence of price indexing. This so-called automatic reinforcement is to be regarded primarily as something structural, and the effect is that an individual year can differ.

The specific effect of price increases is from the high electricity prices. Svenska kraftnät has received drastically increased revenue from congestion rents, which arise when electricity is transmitted between different electricity zones at different prices. This is intended in the longer term for use in investments to improve the power grid, for example, but in the short term it entails a strengthening of the budget balance in the form of increased deposits at the Debt Office. At the same time, Svenska kraftnät has been assigned with looking into a way to return the congestion revenue it has received to households and businesses. The Debt Office assumes that the ongoing strengthening of the budget balance will be counteracted by an outflow, when this compensation to households and businesses is disbursed.

The higher interest rate situation both strengthens and weakens the budget balance in the shorter term. Normally, higher interest rates lead to increased income from capital taxes while the effect of households' interest deductions and interest payments on central government debt is in the opposite direction. Currently, however, there is the additional effect of outflows from tax accounts. In recent years, there has been an influx of capital placements in tax accounts. In pace with the rising interest rate situation, the majority of these placements are expected to flow out.

What the combined effect of the price increases and the increase in interest rates is difficult to say. This is perhaps mainly because the effects of both congestion revenue and capital placements in tax accounts concern large and relatively volatile flows. What can be said, however, is that the current circumstances mean that the link that normally exists between the business cycle and the budget balance will become intermittently less distinct in the coming years.

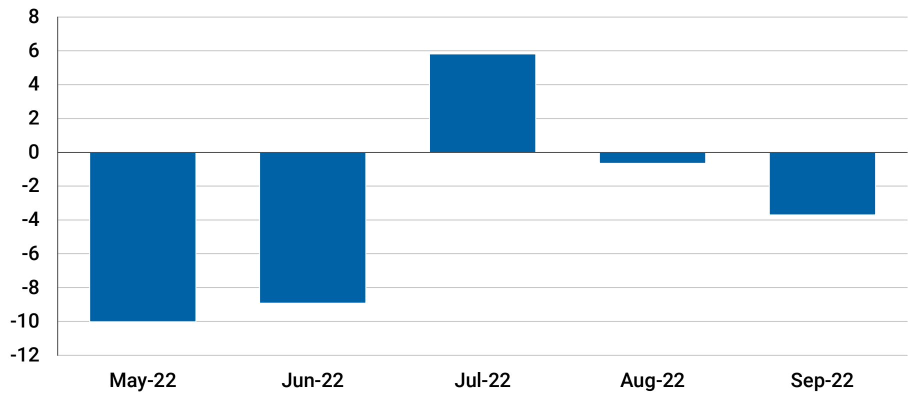
Lower forecast for income from taxes this year

The Debt Office's assessment is that income from taxes will be lower this year compared with the most recent forecast, while the tax income is largely unchanged for 2023 (see Table 9). Since the last forecast, income from taxes has been lower than expected, to a large extent caused by lower supplementary payments and corporate tax. (see Figure 10).

The lower forecast this year is because the outgoing payments from tax accounts, among other things in regard to excess tax after taxation, are higher than in the previous forecast. This lowers income from supplementary tax. At the same time, corporate tax is lower. An upward revision of payroll this year, and thereby higher preliminary tax on earned income and employers' fees, partially offsets these effects.

Figure 10. Central government tax income, difference between outcome and Debt Office's forecast

SEK billion



Source: The Swedish Tax Agency and the Debt Office.

Next year, consumption and corporate tax is lower as a consequence of a worsened economic outlook, but this is counteracted by higher supplementary tax. The supplementary tax is higher mainly as a result of repayments of temporary tax respites to a larger extent being made during 2023, as these, so far, have been lower than expected. Also higher taxes on interest income contributes to the higher income from taxes.

Table 9. Tax income, change from previous forecast

SEK billion

Type of tax	2022	2023
Payroll tax	14	-1
Consumption tax	3	-7
Corporate tax	-5	-7
Supplementary tax	-36	16
Total change	-24	1

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

Source: The Debt Office.

Supplementary tax is distinctly lower this year but higher next year

Supplementary tax consists mainly of deposits and withdrawals from tax accounts. These are flows that stem both from deficits/surpluses after taxation, but could also be deposits to cover future tax debits as well as capital placements. The Debt Office's assessment is that supplementary tax will be markedly lower this year than in the previous forecast. Outgoing payments from tax accounts have been higher than expected since May, partly as a result of excess tax. Also the preliminary tax outcome for 2021 indicates increased excess taxes.

The higher income from supplementary tax next year is largely due to higher repayments of tax respites in 2023 than previously foreseen. The outcome for tax respites this year indicates both more granted respites and lower repayments than expected. The total volume of outstanding respites is therefore higher than expected. The Debt Office therefore forecast increased repayments for 2023. Also higher taxes on interest income due to higher interest rates contributes to higher income from taxes.

A sharp rise in deductions for interest expenses will have a negative impact on income from supplementary tax ahead. The effect of higher interest deductions is that deficits in tax accounts decrease, as does the income from supplementary tax accordingly. In particular, higher deductions in 2023 will affect the supplementary tax 2024.

But outflow of capital placements from tax accounts remains unchanged

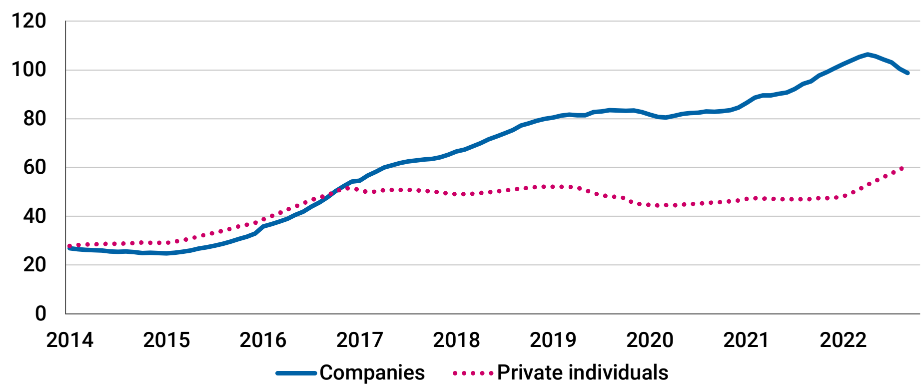
Capital placements in tax accounts also affect the supplementary tax. The Debt Office still expects an outflow of capital placements this year and the next, because the higher interest rate environment gives companies more placement options (see the In-depth part “Tax accounts in a higher interest rate situation”). On a full-year basis, the outflow is unchanged from the previous forecast. However, the outflow this year is assumed to occur to a larger extent later in the year.

According to the ESV, the capital placements are assessed to have amounted to SEK 76 billion at the end of last year. Of these, the ESV assesses that SEK 71 billion stems from companies and only SEK 5 billion from households. The Debt Office assumes that the majority of the capital placements belong to large companies, mainly financial institutions. In the previous forecast, the Debt Office assumed that the higher interest rate environment would gradually render placements in tax accounts less attractive, since there is a considerable time lag before the interest income rate on tax accounts increases, compared with market rates. Major companies are presumed to be able to invest at favourable terms in the market, for example as very short-term deposits at banks or in treasury bills and commercial paper. To a large extent, the placement alternative available to smaller businesses and households is bank accounts with interest rates that rise much more slowly than market rates. A gradual increase in interest rates in combination with companies reacting to this at differing pace meant that the Debt Office assumed a prolonged outflow during 2022 and 2023.

The development of the balance in tax accounts, which the Debt Office uses as an indicator of the size of capital placements, shows that companies have also reduced their holdings up to and including September (see Figure 11). However, households’ holdings in tax accounts have risen. But the Debt Office assumes that the increased balance maintained by households is due to supplementary payments in regard to deficits resulting from among other things high capital gains in 2021, rather than from placements of capital. This assumption is also supported by data from the Swedish Tax Agency, indicating that the balance in tax accounts will probably decrease at the end of the year when tax is debited

Figure 11. Total balance in tax accounts

SEK billion



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

Sources: The Swedish Tax Agency and the Debt Office.

The conditions for a continued outflow are still in place as market interest rates clearly rise, and even higher interest rates than in the spring are expected. However, indications of a slower-than-expected outflow so far this year mean that this year's outflow is shifted to later in the year. Nevertheless, the Debt Office still assumes that capital placements will decrease by SEK 25 billion this year and by a further SEK 40 billion next year. This means that, by the end of 2023, only a minor portion of the capital placements in tax accounts remain.

In-depth

Tax accounts in a higher interest rate situation

For several years, tax accounts have attracted more capital than justified in relation to tax and fee payments. At the same time the interest rate on the tax account (interest income rate), has been higher than comparable placement alternatives on the market. What effect this will have on capital placements in tax accounts depends on the placement alternatives available to companies and households as well as on their preferences regarding liquidity and risk.

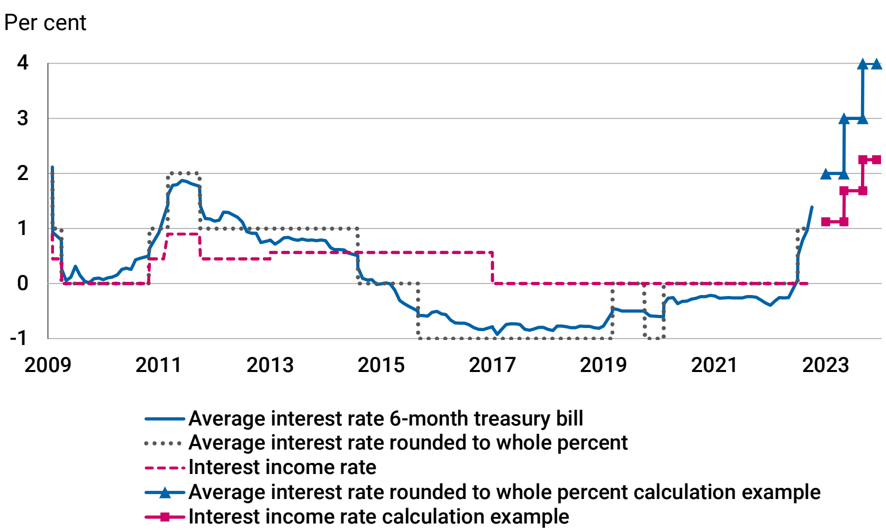
When will the interest income rate on tax accounts be raised?

Interest on tax accounts ¬– the interest income rate – has been 0 per cent since 2017. The interest income rate is set up to increase with rising interest rates but limit tax accounts from being interest-bearing in low interest rate situations. This is accomplished by using a floor value.

The interest income rate is based on the ask rate for six-month treasury bills. Every month an average interest rate is calculated that is rounded off to the nearest whole percentage. This average interest rate is calculated as the average ask rate on six-month treasury bills during the period from the 16th one month and the 15th the following month. From there, a base interest rate is calculated at 125 per cent of the average rate. The base rate may, however, not be lower than the floor of 1.25 per cent. In the next step, the interest income rate is calculated as 45 per cent of the base rate.

As of 1 January 2017, the interest income rate is 0 per cent as long as the base rate is equal to its floor value of 1.25 per cent. The interest income rate cannot be raised until the base rate becomes higher than its floor. The next time this will occur is when the average rate can be rounded off to 2 per cent. This is equivalent to an increase of two percentage increments and gives a base rate of 2.5 per cent and an interest income rate of 1.125 per cent. Thereafter, increases occur for every percentage increment that the average interest rate is raised, which leads to increases of 0.5625 percentage points per increment. See Figure 12 for the incremental increases of the income interest rate.

Figure 12. The 6-month treasury bill and interest income rate on tax accounts



Note: The calculation examples show the interest rates if the average rate can be rounded off to 2, 3 and 4 per cent, respectively. Interest income rate according to regulations at the time.

Source: The Riksbank and the Swedish Tax Agency C

Companies' placement alternatives in a higher interest rate situation

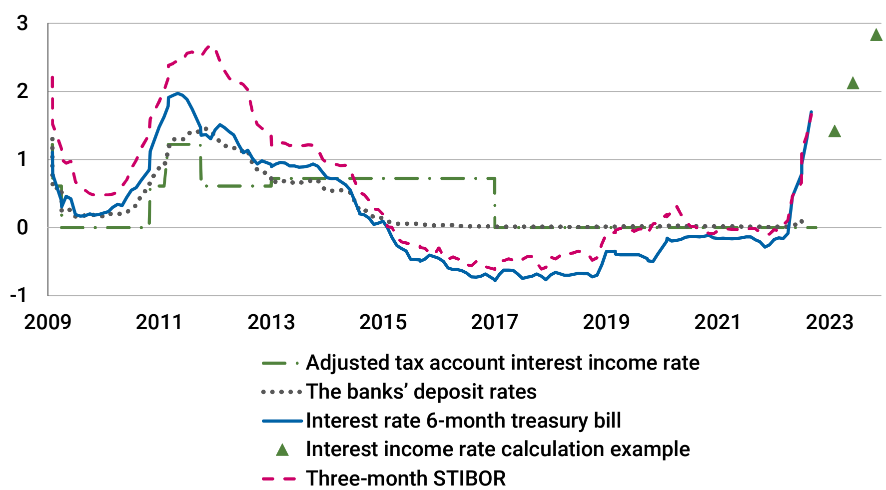
A rough indication of how attractive the tax accounts are as a savings type is given by comparing the average interest rates the banks offer on their deposit accounts to the interest income rate. As Figure 13 shows, tax accounts have been more favourable up to 2017 when the interest income rate was lowered. Since then, both the interest income rate and the banks' deposit rates have remained unchanged for five years, at 0 per cent. During 2022, the interest rate of the treasury bill has risen and banks' deposit rates have, with somewhat of a lag, begun to go up accordingly.

Given the higher general interest rate situation, it follows that there are other investment opportunities in the market that offer higher interest. Three-month STIBOR can provide an indication of the alternative interest rates available to companies. One investment option is to place funds overnight in banks at around 10 basis points below the Riksbank's policy rate.

The extent to which these alternatives outweigh the advantages of tax accounts in terms of security and availability affect how extensive the outflow of capital from tax accounts will be. It is difficult to foresee whether the withdrawals will occur suddenly, for example when certain threshold values are crossed, or gradually through the balance being used for upcoming tax payments.

Figure 13. Interest rates that companies face with shorter-term placement

Per cent



Note: The interest income rate on tax accounts is tax-free and needs to be adjusted to the corresponding corporate tax (20.6 per cent) in order to be comparable with the banks' deposit rates. The calculation example shows the adjusted interest income rate when the average rate on tax accounts, based on the ask rate of six-month treasury bills, can be rounded off to 2, 3 and 4 per cent, respectively. The interest income rate according to regulations at the time.

Source: The Riksbank, Statistics Sweden's Financial Market Statistics, and the Swedish Tax Agency.

Higher payroll level causes higher payroll tax this year

The Debt Office assumes that payroll tax, which among other things comprises preliminary tax on earned income and employers' fees, will be higher this year than in the previous forecast. This is due to a higher payroll level.

Next year, payroll tax is essentially unchanged. The revisions of payroll development in this forecast, which were presented in chapter 1, mean that the level of payroll in 2023 is largely unchanged. Preliminary tax on earned income also remains largely unchanged. However, the Debt Office forecast that income from employers' fees will be higher as a result of outcomes having been unexpectedly high for a period of time. This is offset, though, by higher disbursements to local governments, which is due to new established multipliers and adjustment of the municipal tax received by the municipalities in 2021.

Consumption tax level is sustained by inflation

Tax income from consumption has increased more this year than previously estimated and the Debt office therefore increase the forecast for 2022 somewhat. On the other hand, the consumption tax is revised down due to lower consumption volume of the households (see chapter 1).

The decreased household consumption next year leads to a weak development of excise duties. This is partly counteracted by the price increases on everything from food and groceries to energy which props up the level of income from VAT. At the same time, this is dampened somewhat by a weak development for housing investment in 2023.

Corporate profits are squeezed

Tax from companies is expected to increase at a slower pace this year than in the previous forecast. A continued downturn in the economy leads to lower demand for many companies while, among other things, high prices for energy and input goods will squeeze profit margins. The Debt Office therefore assesses corporate profits to decrease somewhat next year, to then increase again in 2024. The yield tax that companies pay in for various insurance products counteracts the decline in corporate tax, which is due to a rising government borrowing rate compared to the previous forecast.

High dividends from state shares this year

The forecast for dividends from state shares is unchanged this year and essentially unchanged for next year, compared with the previous forecast.

Dividends this year are substantially higher than in previous years, which is mainly due to high dividends from Vattenfall and LKAB. The Debt Office, however, assesses that these dividends will decrease next year, mostly for Vattenfall.

Vattenfall's net income last year was largely driven by one-off effects, of which the central government chose to distribute a large portion. This year, no such one-off effects are expected and the distribution of dividends is therefore expected to decrease next year. The high energy prices do not mean that Vattenfall's net income will automatically increase. Some parts of its business benefit while others suffer, and how this will play out overall in periods ahead is uncertain.

Dividends on state-owned shares per year are presented in Table 19 of the Appendix.

Disbursements from the EU recovery fund

The Debt Office expects a total of SEK 27 billion to be paid to Sweden from the EU Recovery and Resilience Facility during the forecast period. Compared with the May forecast, a redistribution of the disbursements between the years is assumed.

The assumption in the previous forecast was that SEK 12 billion would be paid out this year and SEK 10 billion next year. The Debt Office now expects no funds to be paid out this year and that Sweden will instead receive SEK 21 billion next year. This means that the budget balance will be lower this year but increase next year, compared with previous forecast assumptions. For 2024, the Debt Office assumes that SEK 6 billion will be paid to Sweden.

State expenditure is unchanged

The forecast of central government expenditure is largely unchanged from the previous forecast (see Figure 7). The assumptions regarding the Government's unfunded fiscal policy is also unchanged (see the introduction to the chapter), and these include an increase in defence expenditure of SEK 8 billion for 2023 and of SEK 12 billion for 2024, in accordance with the Riksdag's intentions to increase the defence appropriation to 2 per cent of GDP over time.

Labour market-related expenditure is lower for both 2022 and 2023 compared with the May forecast (see Table 8). The development of the labour market (see chapter 1) this year has caused both the expenditure for unemployment insurance and labour market policy programmes to be lower than the Debt Office forecast in May.

The labour market situation deteriorates ahead and unemployment rises in 2023. Despite this, there is only a faint increase in labour market expenditure next year. This is in part because the temporarily elevated level of income-related compensation ceases in 2023 and returns to the level from before the pandemic. It is also partly due to a decreasing number of unemployed qualifying for income-related compensation, with means that the average daily allowance is expected to be lower than in the last forecast. Expenditure for labour market policy programmes has been lower than expected this year since there have been fewer participants in the programme.

The central government's pension costs are SEK 3 billion higher than in the previous forecast. Social insurance spending in 2023 is expected to be higher than in the previous forecast, largely as a result of changed rules for the guarantee pension. From August 2022, the level of the guarantee pension is raised as is the ceiling for how high of an income-based pension one is allowed to have and still be eligible for a guarantee pension. This means that the number of people with a guarantee pension increases and the full effect of the cost is seen in 2023. The housing supplement is also raised. These changes replace the housing supplement's guarantee supplement component that was taken into consideration in the previous forecast but never put into effect. Because of the high inflation, the price base amount is raised sharply, which raises the level of, among other things, the guarantee pension.

Expenditure for migration decreases this year but increases next year, compared with the previous forecast. Fewer refugees than expected have come to Sweden, at the same time as the EU's Temporary Protection Directive has been extended.

Debt Office net lending has positive effect in 2022 and 2023 but weighs on budget balance in 2024

Net lending by the Debt Office contributes positively to the budget balance both this year and the next but weighs on the budget balance for 2024. This is, above all, because the loans raised by the Debt Office for the Riksbank's financing of the foreign currency reserves are being paid back as they mature this year and the next. A total of SEK 61 billion in loans on behalf of the Riksbank are repaid this year and for a total of SEK 64 billion next year. Excluding the on-lending, Debt Office net lending contributes positively to the budget balance in 2022 but negatively in 2023 and 2024 (see Table 10).

Since the Debt Office's forecast in May, the net lending has been SEK 37 billion lower than expected. This is essentially due to deposits from Svenska kraftnät being unusually high as a result of higher revenue from congestion rent. The congestion revenue is expected to remain high during the forecast period. The Debt Office assumes that the inflow will amount to a total of SEK 80 billion for 2022, SEK 70 billion for 2023, and SEK 45 billion for 2024.

At the same time, the Debt Office assumes that congestion revenue will largely be returned to households and businesses in some form. The Debt Office makes no explicit assumptions about the design of such support, but expects that large parts of received congestion revenue will be paid out during the forecast period. The outgoing payments increase Debt Office net lending to Svenska kraftnät (see also the In-depth part ”Higher prices and interest rates affect the budget balance”. The Debt Office assumes that SEK 40 billion will be paid out in December this year, SEK 100 billion in 2023, and SEK 40 billion in 2024. Next year, the disbursements are expected to exceed the influx of congestion revenue, which leads to an upward revision of net lending compared with the previous forecast.

For the entire forecast period, the assumption is that the congestion revenue that comes in, which temporarily boosts the budget balance, will be paid out from the account at the Debt Office and that the effect on the budget balance will thereby even out over time. The Riksbank's maturing loans and the assumptions regarding congestion revenue entail that the temporary factors that led to negative net lending, i.e. a net deposit, no longer apply to the calculations for 2024 and the net lending thereby returns to being positive, as it has usually been historically (see Table 10).

For a description of the effect of net lending by the Debt Office on central government finances, see the Facts part on the next page.

Table 10. Table 4 Net lending by the Debt Office per year

SEK billion

Net lending	2021	2022	2023	2024
Lending, of which	-33	-51	-46	19
Swedish Board of Student Finance	12	11	12	13
Swedish Transport Administration	-2	0	1	1
State-owned companies	0	-8	0	0
On-lending to the Riksbank	-57	-61	-64	0
Other	13	7	4	4
Deposits, of which	41	42	-27	8
Swedish Board of Student Finance, credit res. etc.	1	1	2	2
Svenska kraftnät[1]	17	40	-30	5
Resolution reserve	4	4	5	5
Premium pension, net[2]	4	3	-5	-6
Other	14	-7	2	2
Net lending	-74	-93	-19	11
Net lending excluding on-lending to the Riksbank	-17	-31	44	11

Note: [1] Lending to Svenska kraftnät is included in the category "Other". During the forecast period, the lending is zero and the net lending thereby corresponds to the deposited amount with the negative sign.

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

Facts

Debt Office net lending – a special expenditure item

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

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

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

Higher interest payments

Since the May forecast, market interest rates have risen and the krona has weakened, which means that interest payments on central government debt will be higher. Payments of interest are expected to amount to SEK 26 billion this year, SEK 13 billion in 2023 and SEK 9 billion in 2024 (see Table 11). The forecast is thus revised up by SEK 9 billion this year and SEK 7 billion next year.

Rising market interest rates mainly affects interest (coupon) payments through lower premiums when the Debt Office issues bonds. The premium arises when the coupon on the bond being issued is higher than the market rate at the time of sale. The weakening of the krona results in increased foreign exchange losses on the Debt Office's currency exposure.

Table 11. Interest payments on central government debt

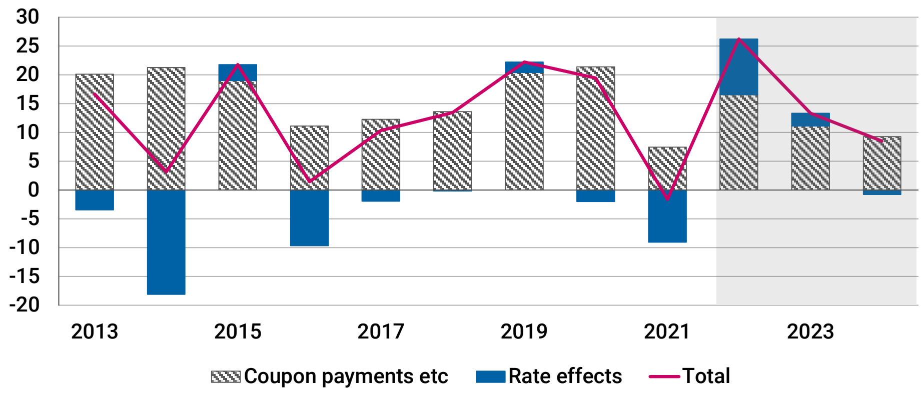
SEK billion

Interest payments on central government debt	**2022**	**2023**	**2024**
Interest on loans in SEK	13.9	10.7	7.4
Interest on loans in foreign currency	-0.4	1.2	1.1
Realised currency gains and losses	12.7	1.4	0.0
Interest on central government debt	26.2	13.3	8.5

Source: The Debt Office.

Figure 14. Interest payments 2013–2024

SEK billion



Source: The Debt Office.

Between 2022 and 2023, interest payments on central government debt decrease by around SEK 13 billion (see Figure 14). This is mainly because foreign exchange losses are expected to be lower in 2023. In addition, a bond with a relatively high nominal yield has matured in 2022, and therefore coupon payments are somewhat lower next year. This year the Debt Office has also paid out inflation compensation for an inflation-linked bond that has matured. In 2023, no inflation- linked bonds are maturing and the corresponding effect does not occur. Between 2023 and 2042, interest payments on central government debt are expected to decrease somewhat.

The Debt Office uses cut-off rates in calculating central government interest payments and in measuring the Riksbank's foreign currency loans. The cut-off date for this forecast was 30 September 2022.

Temporary factors add to significant uncertainty

Temporary factors entail that the forecast of the budget balance's development is associated with a high level of uncertainty. Both the effects of the influx of congestion revenue and the outflow of some sort of electricity-price compensation, and the outflow of capital placements in tax accounts are difficult to forecast (see also the In-depth part ”Higher prices and interest rates affect the budget balance”).

The congestion revenue to Svenska kraftnät is expected to remain high throughout the forecast period. At the same time, the Debt Office expects that the revenue received will largely be returned to households and businesses in some form. The Debt Office's assumptions regarding such support are uncertain – in regard to both the amount and the timing.

As previously, the assessment of deposits in, and withdrawals from, tax accounts is associated with considerable uncertainty. Since the placements of capital can to a significant extent be attributed to a few major companies, it is likely that a large amount may be taken out suddenly, as opposed to the forecast that assumes a more even outflow. It could also be the case that insufficient access to better placement alternatives, a lower tendency to react to interest rate differentials, or other factors, lead to more capital placements remaining in tax accounts.

The macroeconomic development is still a significant uncertainty factor for the budget balance. The surprisingly high inflation puts pressure mainly on household purchasing power, which leads to the economy shrinking. This will also entail that central government spending for things such as purchases of goods and services, rents, and wages will increase, and there is a risk that the expenditure will be significantly higher than in the forecast.

Increased short-term borrowing

The worsened outlook for the budget balance means that the central government needs to borrow more than previously foreseen. The Debt Office is meeting the increased borrowing requirement with treasury bills and other short-term borrowing, because the change in the budget forecast is largely due to temporary factors. The supply of both nominal and inflation-linked bonds remains the same. As a complement to the borrowing in kronor, the Debt Office plans to issue a foreign-currency bond in 2023. The central government debt continues to decrease.

The revision of the budget balance for 2022 and 2023 entails an overall increase of SEK 60 billion in the central government's net borrowing requirement compared with the previous forecast. For 2024, a budget surplus of almost SEK 12 billion is expected, which means there is a negative borrowing requirement of the same size. The total borrowing requirement, which also includes the refinancing of maturing loans, is estimated to reach SEK 280 billion in 2022, SEK 363 billion in 2023, and SEK 279 billion in 2024 (see Figure 15). Table 12 and Figure 16 show how the borrowing requirement is financed.

Table 12. Tabell 1 Borrowing plan

SEK billion

	2021	2022		2023		2024	
	Outcome	*Oct*	*(May)*	*Oct*	*(May)*	*Oct*	*(May)*
Money market funding	**176**	**226**	**(192)**	**293**	**(237)**	**231**	**-**
T-bills	107	83	(83)	158	(103)	140	-
Liquidity management	68	143	(110)	135	(135)	91	-
Bond funding	**103**	**55**	**(75)**	**71**	**(49)**	**49**	**-**
Nominal government bonds	83	46	(46)	40	(40)	40	-
Inflation-linked bonds	21	9	(9)	9	(9)	9	-
Green bonds	0	0	(0)	0	(0)	0	-
Foreign currency bonds	0	0	(20)	22	(0)	0	-
on behalf of the Riksbank	0	0	*(0)*	0	*(0)*	0	-
Central Government	0	0	*(20)*	22	*(0)*	0	-
Total gross borrowing	**279**	**280**	**(267)**	**363**	**(286)**	**279**	**-**

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

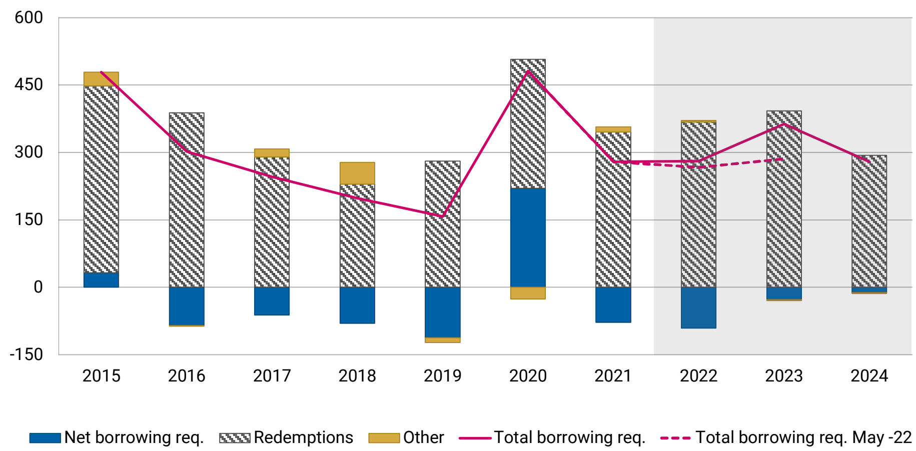
Source: The Debt Office.

To meet the increased borrowing requirement, the Debt Office is raising the issuance volume of treasury bills and increasing the number of outstanding maturities. In addition, a larger portion is being financed within the liquidity managements operations compared with the previous forecast. Borrowing in the capital market stays the same, with an unchanged issuance volume of both nominal government bonds and inflation-linked bonds. The changes to the borrowing plan are in line with the strategy of initially increasing the short-term borrowing and thereafter adapting the bond borrowing if the higher borrowing requirement remains (see the part on page 38).

Another change made to the borrowing plan is that a foreign currency bond issue has been rescheduled from this year to 2023. As in the previous forecast, the plan does not contain new issuance of green bonds.

Figure 15. Figure 1 Total gross borrowing requirement

SEK billion

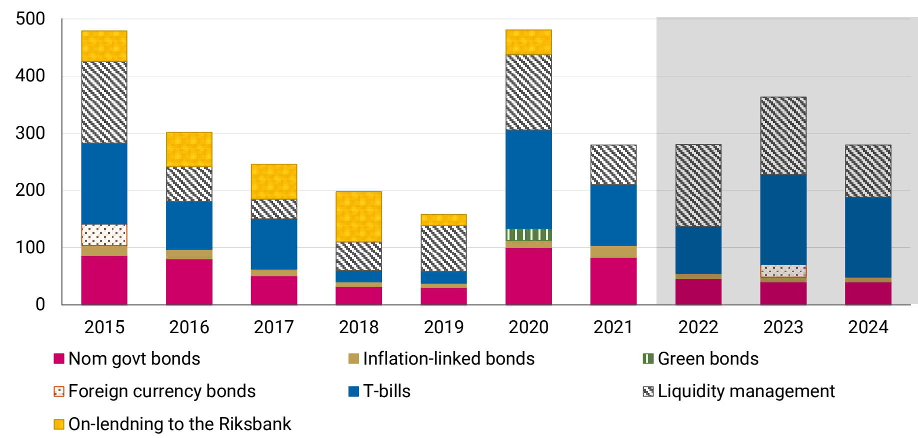


Note: Net borrowing requirement is the budget balance with the opposite sign. The post “Other” includes an adjustment due to the net borrowing requirement being reported by settlement date whereas borrowing is reported by trade date.

Source: The Debt Office.

Figure 16. Figure 2 Borrowing by instrument

SEK billion



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

Source: The Debt Office.

Facts

Borrowing policy forms basis of issuance planning

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

Nominal government bonds: the most important source of funding

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

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

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

Inflation-linked bonds are complement to nominal bonds

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

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

Bonds in foreign currency contribute to good borrowing preparedness

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

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

Treasury bills to balance fluctuations in borrowing requirement

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

Supply of nominal government bonds remains the same

The annual issuance volume of nominal government bonds amounts to SEK 46 billion this year and SEK 40 billion in 2023 and 2024. This means that the volume per auction will stay at SEK 2 billion throughout the entire forecast period. The Debt Office plans to issue a new ten-year bond in 2024.

As in the May forecast, the Debt Office intends to carry out the majority of the auctions in the ten-year segment. In addition, the Debt Office plans to issue a limited volume of two-year and five-year reference bonds (see Table 13). The Debt Office's strategy is to conduct the borrowing in a transparent and predictable manner with a focus on building up reference bonds.

Table 13. Reference bonds

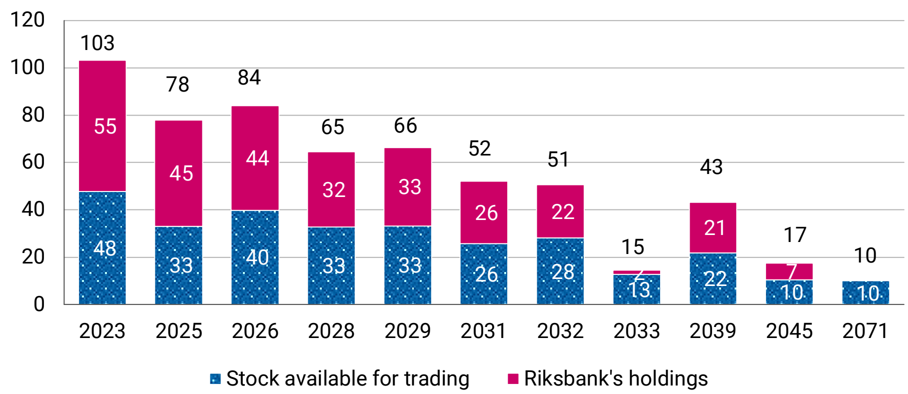
Date of change (IMM date)	2-year	5-year	10-year
Current	1058	1060	1056
21 Dec 2022			1065
20 Dec 2023	1059	1061	

Note: The reference bond in the electronic interbank market is the bond that is closest to two, five or ten years in term to maturity. Reference bonds are changed on the IMM (International Money Market) dates: the third Wednesday in March, June, September and December. The date of change of reference bonds refers to the settlement date.

The Riksbank still owns a large portion of the outstanding stock of government bonds after the bond purchases in recent years. Figure 17 shows outstanding nominal government bonds and the Riksbank's holding of each bond. The Riksbank has communicated that the purchases of government bonds and other securities will cease as of the turn of the year 2022.

Figure 17. Outstanding stock of nominal government bonds and the Riksbank's holdings

SEK billion



Worsened market liquidity and major market movements

Liquidity in the secondary market for government bonds remains strained. Both the Debt Office's dialogue with market participants and Finansinspektionen's (the Swedish Financial Supervisory Authority) measure of liquidity indicate a deterioration of liquidity in recent months (see Figure 18).

The rapidly rising interest rates have led to substantial market movements, which could have an adverse effect on market liquidity. Accordingly, market participants providing liquidity when they set bid and ask rates are exposed to greater uncertainty.

Figure 18. Liquidity index

Note: Liquidity measure as an aggregation of various individual indicators for nominal government bonds with benchmark status. Higher values correspond to higher liquidity. 2-month moving average.

Source: Finansinspektionen.

A well-functioning market with good liquidity is an important factor for attracting investors and keeping down the cost of the central government debt over time. If liquidity deteriorates too much, there is a risk that some investors will leave the market. The Debt Office contributes to a well-functioning market by conducting transparent and predictable borrowing and through market-maintaining facilities such as the lending of government securities via repos. Recently, usage of the repo facility has increased significantly.

A well-functioning government securities market is also important for the bond market in general and its role in the financial system. The Financial Stability Council – which includes the Debt Office, Finansinspektionen, and the Riksbank – has therefore initiated a survey of how the various parts of the Swedish bond market function and affect one another.

Unchanged issuance volume of inflation-linked bonds

The planned issuance volume of inflation-linked bonds remains at SEK 500 million per auction throughout the entire forecast period. This entails an annual volume of SEK 8.5 billion in 2023 and 2024. The annual issuance volume for 2022 is expected to be SEK 8.6 billion, which is slightly lower than in the previous forecast. This is because two auctions during the year have not been fully subscribed. The Debt Office interprets that to be a further indication of the situation in the market having become more strained.

As previously communicated, the Debt Office will be introducing a new ten-year inflation-linked bond. The plan is to introduce the new bond in the second half of next year. To build up the volume of the new bond, the Debt Office plans to first hold a switch auction immediately after the first issue and then increase the volume of the two subsequent regular auctions from SEK 500 million to SEK 1.5

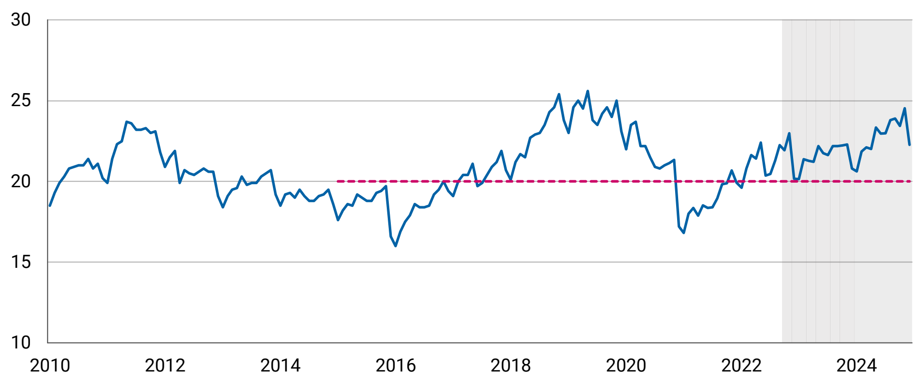
billion. Since the Debt Office aims to keep the annual volume unchanged, some auctions will be removed from the schedule in 2023. The Debt Office is open to receiving points of view on this intended course of action.

Under the Government's guidelines, the proportion of inflation-linked debt is to be 20 per cent of the total central government debt in the long term. Several factors affect the development of the inflation-linked debt share, such as issuance volume, the rate of inflation, planned switches, inflation-linked bonds maturing, and the size of the central government debt. The continual market-maintaining switches also affect the inflation-linked debt share.

During the forecast period, the share of inflation-linked debt is slightly above the target because there are no maturing inflation-linked bonds and the borrowing remains unchanged (see Figure 19). The next inflation-linked bond maturity does not occur until 2025, after which there are maturities several years in a row.

Figure 19. Inflation-linked debt as share of central government debt

Per cent of total central government debt



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

Source: The Debt Office.

Bond loan in foreign currency is moved to 2023

The foreign currency bond that the Debt Office had previously planned to issue this year will be issued next year instead. The planned issuance volume corresponds to SEK 22 billion.

Issuing bonds in foreign currency in the international capital market is a flexible form of borrowing that the Debt Office can easily adjust if the borrowing requirement changes. Foreign currency borrowing contributes to good borrowing preparedness because the Debt Office can borrow large amounts in the international capital market within a short amount of time (see the borrowing policy on page 45). Foreign currency borrowing also provides a greater opportunity to choose the timing, maturity, and other terms than borrowing in the krona market, where the Debt Office endeavours to borrow in a transparent and predictable manner.

Borrowing in foreign currency does not affect the currency exposure of the central government debt, because the Debt Office hedges the borrowing (see the Facts part below).

Facts

The Debt Office proposes phasing out the foreign currency exposure

At the end of September, the Debt Office submitted proposed guidelines for central government debt management in 2023–2026 to the Government. In these, the Debt Office proposes phasing out the foreign currency exposure of the debt, because it involves a higher risk without lowering the cost over time. The proposed change does not, however, affect the borrowing.

The Debt Office proposes that the foreign currency exposure, which is just over SEK 100 billion, should be gradually phased out over four years starting in January 2023, to then be steered towards the target value of zero as of 2027. The actual exposure will continue to vary at around the target value because the Debt Office continually manages currency flows for the central government.

Phasing out means in practice that the Debt Office will purchase foreign currency and sell Swedish kronor. Given the proposed phase-out pace, the amount per month is small in terms of turnover in the krona market. The Debt Office's assessment is therefore that the phasing out will not affect the krona rate.

Reduced currency exposure does not impede foreign currency borrowing

Phasing out the foreign currency exposure does not affect the Debt Office's ability to raise loans in foreign currency because such loans can be hedged. In this way, the borrowing can be kept separate from the currency exposure.

When the Debt Office issues a foreign currency bond for its own purposes for central government (not for on-lending), the liquidity received in the foreign currency is exchanged to Swedish kronor and hedged with the aid of currency forwards. This means that the issuance of the foreign currency bond does not change the foreign currency exposure of the central government debt.

Share of inflation-linked debt and maturity of central government debt are left unchanged

The Debt Office does not propose any further changes to the guidelines for the composition or term to maturity of the central government debt. If the proposal is adopted, the share of inflation-linked debt will continue to be 20 per cent and the maturity of the central government debt will be between 3.5 and 6 years (measured as duration).

In accordance with the Budget Act, the Government is to decide on the guidelines by 15 November. The Riksbank has provided its opinion on the Debt Office's proposal and does not consider the proposal to be in conflict with the monetary policy. The proposed guidelines can be read on on riksgalden.se.

Stock of treasury bills increases

The borrowing plan contains upward revisions to the short-term funding – to the supply of treasury bills and within liquidity management.

The stock of T-bills in the plan amounts to SEK 83 billion at the end of 2022, SEK 158 billion in 2023, and SEK 140 billion at the end of 2024 (see Figure 20). In the May forecast, the corresponding figure was SEK 83 billion for this year and SEK 103 billion for next year.

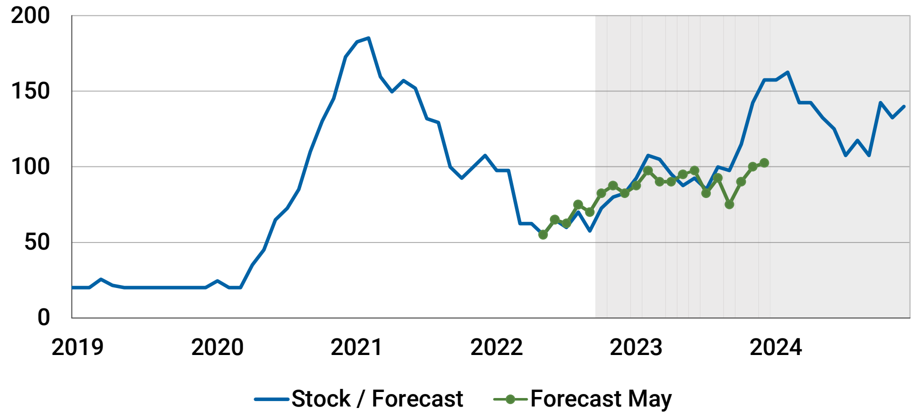
Since the May forecast, the stronger outcome of the central government payments has made the Debt Office has brought down the issuance volume of treasury bills compared with the plan. In the new borrowing plan, the Debt Office again expects a higher issuance volume. The planned volume of individual auctions varies within the range of SEK 7.5–22.5 billion for the entire forecast period.

The Debt Office plans the volumes of individual auctions of treasury bills according to seasonal patterns in the central government's payments as well as maturity dates, and it can then make further adjustments as necessary ahead of every individual auction depending on the outcome of the payments. This usually means that the planned volumes the Debt Office publishes in the upcoming-auction schedule on the website may be altered when decisions are made a week prior to an auction.

In March 2023, the Debt Office will issue a new 12-month treasury bill and return to an expanded T-bill policy in order to increase the outstanding stock (see the Facts part below).

Figure 20. Stock of T-bills

SEK billion



Source: The Debt Office.

Facts

Changed policy for treasury bills, with more maturities

Starting in March, the Debt Office plans to increased the longest maturity for treasury bills to 12 months. Thereby the number of outstanding maturities in T-bills will increase from four to six during 2023. This is a return to the policy put in place during the coronavirus pandemic for managing the great uncertainty that was associated with the borrowing requirement.

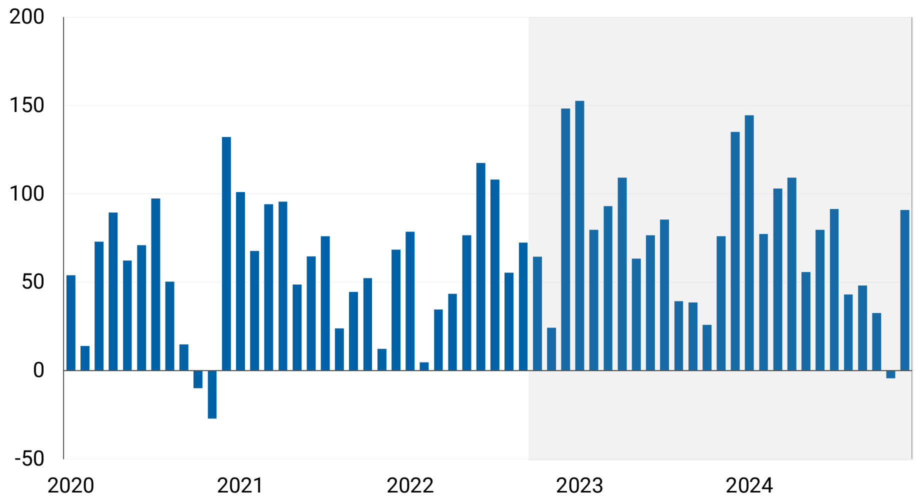
The Debt Office will issue a new 12-month bill every three months maturing on an IMM date (the third Wednesday in March, June, September, and December). In the other months, a new three-month bill will be introduced.

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

The borrowing requirement that remains after the regular issues of treasury bills and government bonds is financed within the liquidity management operations. These activities include, for example, the Debt Office issuing T-bills continually (tap issues) and commercial paper in foreign currency. The volume of liquidity management instruments is expanded in this forecast, which includes the assumptions of the usage of the repo facility. The amounts borrowed as part of liquidity management are continually adjusted to the development of the budget balance and the regular borrowing (see Figure 21).

Figure 21. Liquidity management

SEK billion



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

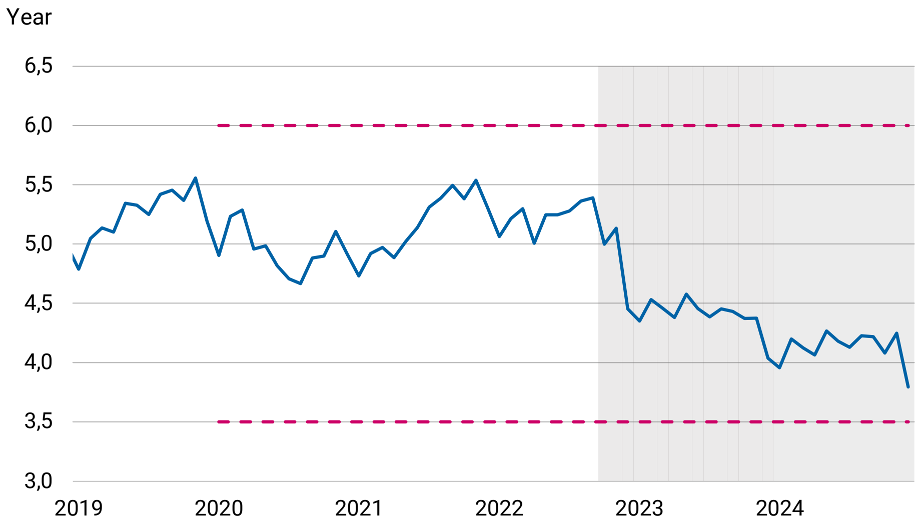
Source: The Debt Office.

Unchanged volume of interest rate swaps

The Debt Office uses interest rate swaps to adjust the interest-rate refixing period (duration) of the central government debt. In the February forecast, the Debt Office identified a need to increase the volume of interest rate swaps for 2023 since the duration reached the upper part of the range. With the new borrowing plan, there is no longer a need for this because the duration instead falls within the lower part of the range. The volume of interest rate swaps abbreviated to SEK 5 billion while the average maturity reverts to approximately five years. The Debt Office plans to enter swaps with maturities of up to 12 years.

The swaps are spread out relatively evenly over the year but also taking into account flexibility from a business perspective in terms of timing and maturity. The Debt Office may deviate from the planned volume if conditions change during the year. The development of the duration of the central government debt is shown in Figure 22.

Figure 22. Maturity of the central government debt



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

Source: The Debt Office.

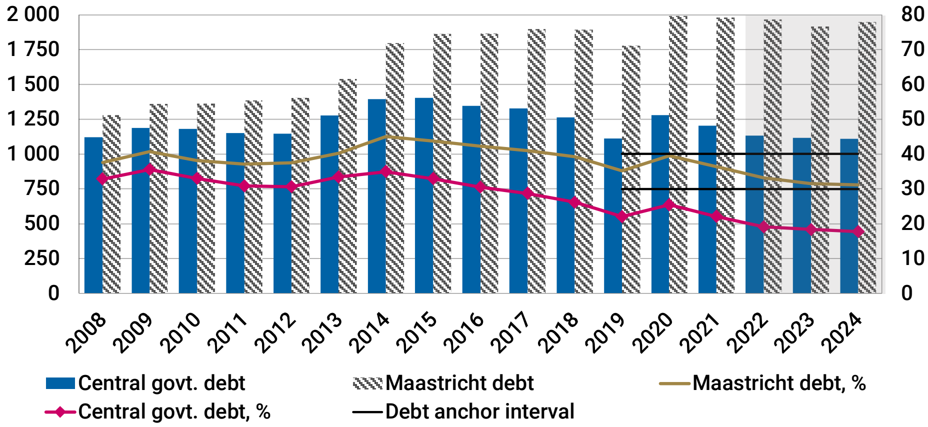
Central government debt continues to decrease

At the end of 2021, the debt amounted to SEK 1,204 billion, corresponding to 22 per cent of GDP. It is now expected to decrease to SEK 1,132 in 2022, SEK 1,117 billion in 2023, and SEK 1,109 billion in 2024 (see Table 14 and Figure 23). The central government debt thereby ends up at 18 per cent of GDP at the end of the 2024.

The Maastricht debt is expected to decrease from 36 per cent of GDP at the end of 2021, to 33 per cent in 2022 and 31 per cent in 2023. The Maastricht measure includes the consolidated debt for the entire public sector and is used in international comparisons (see the Facts part below). This is also the measure referred to for the debt anchor of 35 per cent of GDP (±5 percentage points) in the fiscal policy framework.

Figure 23. Central government debt – development over time

SEK billion, per cent of GDP



Sources: Statistics Sweden and the Debt Office.

Table 14. From net borrowing requirement to central government debt

SEK billion

	2020	2021	2022	2023	2024
Net borrowing requirement (budget balance with opposite sign)	221	-78	-91	-27	-12
Business day adjustment etc.[1]	-25	7	1	0	-1
Net borrowing per business day	196	-71	-90	-27	-13
A. Net amount including money-market assets	1,229	1,159	1,069	1,042	1,028
Inflation compensation	18	24	44	50	56
Exchange-rate effects	-4	6	14	0	0
B. Net amount to current exchange rate incl. inflation compensation	1,243	1,189	1,127	1,092	1,084
Assets under management	38	15	5	25	25
C. Central government debt	1,280	1,204	1,132	1,117	1,109
Assets under management	-38	-15	-5	-25	-25
On-lending	-174	-127	-77	0	0
D. Central government debt incl. on-lending and assets under management	1,069	1,063	1,051	1,092	1,084
Nominal GDP	5,038	5,452	5,924	6,092	6,251
C. Central government debt, % of GDP	25	22	19	18	18
D. Central government debt incl. on-lending and and money-market assets, % of GDP	21	19	18	18	17

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

Facts

Different measures of government debt

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

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

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

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

Appendix of Tables

Table 15. Central government net lending

SEK billion

Central government net lending	2020	2021	2022	2023	2024
Budget balance	**-221**	**78**	**91**	**27**	**12**
Delimitations	**37**	**-111**	**-93**	**-45**	**-4**
Sale of limited companies	0	0	-1	0	0
Extraordinary dividends	0	0	-12	0	0
Parts of Debt Office's net lending	31	-72	-91	-17	12
Other	6	-39	11	-28	-16
Accruals	**42**	**-15**	**-10**	**-12**	**31**
Taxes	34	-7	1	-10	32
Interest payments etc.	9	-8	-10	-2	-1
Central government net lending	**-141**	**-48**	**-12**	**-31**	**40**
Per cent of GDP	**-2.8**	**-0.9**	**-0.2**	**-0.5**	**0.6**

Table 16. Budget balance forecast per month

SEK billion

Month	Primary balance	Net lending	Interest on government debt	Budget balance
Oct-22	-18.7	34.1	-1.4	14.0
Nov-22	20.0	13.0	-4.3	28.7
Dec-22	-60.2	-75.9	-2.4	-138.4
Jan-23	-17.4	-0.5	0.3	-17.5
Feb-23	47.7	25.0	-0.2	72.5
Mar-23	-16.1	1.6	-1.7	-16.3
Apr-23	-11.2	39.3	0.2	28.4
May-23	64.3	-5.7	-2.7	55.9
Jun-23	-31.8	3.6	-2.0	-30.2
Jul-23	-4.3	2.4	0.3	-1.6
Aug-23	27.5	1.7	-0.2	29.0
Sep-23	-2.7	0.2	-1.4	-3.9
Oct-23	-12.1	-0.1	0.3	-11.8
Nov-23	21.2	1.4	-3.8	18.8
Dec-23	-44.2	-49.7	-2.4	-96.3

Table 17. Budget balance changes between years, effect on budget balance

SEK billion

Changes between years, effect on budget balance	2020	2021	2022	2023	2024
Budget balance, level	-221	78	91	27	12
Change from previous year	-333	298	13	-64	-15
Primary balance	-239	176	22	-3	10
Income from taxes	-73	192	31	1	42
Grants to local governments	-38	5	-4	8	0
Labour market	-7	-4	9	-1	-1
Social insurance	-26	1	-17	23	-6
Sales of state-owned assets	0	0	1	-1	0
State share dividends	4	-1	29	-16	2
EU contribution	-11	-2	2	3	-1
Other	-88	-15	-29	-20	26
Debt Office's net lending excl. on-lending	-23	38	14	-76	34
On-lending	-73	63	5	2	-64
Interest on government debt	3	21	-28	13	5

Table 18. Budget balance forecast comparison

SEK billion

Forecast	Budget balance	Sale of state assets	Adjuster budget balance
Debt Office (27 October)			
2022	91	1	90
2023	27	0	27
2024	12	0	12
NIER (28 September)			
2022	230	1	229
2023	87	0	87
2024	-	-	-
ESV (21 September)			
2022	200	1	199
2023	154	0	154
2024	65	0	65

Table 19. State share dividends

SEK billion

Company	2021	2022	2023	2024
Akademiska hus AB	2.1	2.5	2.5	2.6
LKAB	5.9	12.4	10.0	10.5
Telia Company AB	3.2	3.3	3.4	3.4
Vattenfall AB	4.0	23.4	10.0	11.0
Sveaskog AB	0.9	1.3	1.3	1.4
Other companies	1.3	3.5	3.1	3.1
Total	**17.4**	**46.4**	**30.3**	**32.1**

Table 20. Net borrowing requirement and net borrowing

SEK billion

	2020	2021	2022	2023	2024
Net borrowing requirement	221	-78	-91	-27	-12
Business day adjustment [1]	-25	7	1	0	-1
Net borrowing requirement	196	-71	-90	-27	-13
Retail funding & collateral, net	2	-5	-2	2	0
Net money market funding	203	-129	50	67	-62
T-bills	153	-65	-25	75	-18
Commercial paper	31	-31	0	0	0
Liquidity management	19	-32	75	-8	-44
Net bond market funding	-9	63	-137	-96	48
Nominal government bonds	4	83	-62	-63	39
Inflation-linked bonds	-6	22	-13	9	9
Green bonds	20	0	0	0	0
Foreign currency bonds	-27	-41	-61	-42	0
Total net borrowing	196	-71	-90	-27	-13

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

Source: The Debt Office.

Table 21. Total borrowing requirement, gross

SEK billion

	2020	2021	2022	2023	2024
Net borrowing requirement	221	-78	-91	-27	-12
Business day adjustment etc. [1]	-25	7	1	0	-1
Retail borrowing & collateral, net [2]	-2	5	2	-2	0
Money market redemptions [3]	101	305	176	226	293
T-bills	20	173	107	83	158
Liquidity management	81	132	68	143	135
Bond redemptions, net switches and buy-backs	185	40	192	167	1
Nominal government bonds	96	0	108	103	1
Inflation-linked bonds	19	-1	22	0	0
Green bonds	0	0	0	0	0
Foreign currency bonds[4]	70	41	61	64	0
Total gross borrowing requirement	481	279	280	363	279

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

[2] Net change in retail borrowing and collateral.

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

[4] Calculated with the original issuance exchange rate.

Source: The Debt Office.

Market information

Table 22. Nominal government bonds, auction date

Announcement date	Auction date	Settlement date
09/11/2022	16/11/2022	18/11/2022
23/11/2022	30/11/2022	02/12/2022
07/12/2022	14/12/2022	16/12/2022
11/01/2023	18/01/2023	20/01/2023
25/01/2023	01/02/2023	03/02/2023
08/02/2023	15/02/2023	17/02/2023
08/03/2023	15/03/2023	17/03/2023
22/03/2023	29/03/2023	31/03/2023
05/04/2023	12/04/2023	14/04/2023
19/04/2023	26/04/2023	28/04/2023
03/05/2023	10/05/2023	12/05/2023
17/05/2023	24/05/2023	26/05/2023
31/05/2023	07/06/2023	09/06/2023
14/06/2023	21/06/2023	26/06/2023

Table 23. Inflation-linked bonds, auction dates

Announcement date	Auction date	Settlement date
03/11/2022	10/11/2022	14/11/2022
17/11/2022	24/11/2022	28/11/2022
01/12/2022	08/12/2022	12/12/2022
19/01/2023	26/01/2023	30/01/2023
16/02/2023	23/02/2023	27/02/2023
02/03/2023	09/03/2023	13/03/2023
16/03/2023	23/03/2023	27/03/2023
13/04/2023	20/04/2023	24/04/2023
27/04/2023	04/05/2023	08/05/2023
25/05/2023	01/06/2023	05/06/2023

Table 24. Treasury bills, auction dates

Announcement date	Auction date	Settlement date
02/11/2022	09/11/2022	11/11/2022
16/11/2022	23/11/2022	25/11/2022
30/11/2022	07/12/2022	09/12/2022
14/12/2022	21/12/2022	23/12/2022
04/01/2023	11/01/2023	13/01/2023
18/01/2023	25/01/2023	27/01/2023
01/02/2023	08/02/2023	10/02/2023
15/02/2023	22/02/2023	24/02/2023
01/03/2023	08/03/2023	10/03/2023
15/03/2023	22/03/2023	24/03/2023
29/03/2023	05/04/2023	11/04/2023
12/04/2023	19/04/2023	21/04/2023
26/04/2023	03/05/2023	05/05/2023
09/05/2023	16/05/2023	19/05/2023
24/05/2023	31/05/2023	02/06/2023
07/06/2023	14/06/2023	16/06/2023
21/06/2023	28/06/2023	30/06/2023

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

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