RIKSGÄLDS KONTORET
THE SWEDISH NATIONAL DEBT OFFICE

Central Government Borrowing:

Forecast and Analysis

2001:3

Borrowing requirement

The Swedish National Debt Office's revised forecast for 2001 indicates a surplus in central government payments of about SEK 56 billion, or SEK 30 billion less than according to the previous forecast in May. The revised forecast for 2002 points towards a deficit of about SEK 8 billion, compared to a surplus of SEK 48 billion in the May forecast. Adjusted for nonrecurring payments, the surplus in 2001 is estimated at SEK 24 billion. Similar estimates for 2002 indicate an adjusted deficit of SEK 27 billion.

The conditions behind the forecast

The economic cycle is important to the borrowing requirement. During the summer and early autumn of 2001, the economy has cooled. Most observers have revised their growth forecasts downward, compared to last spring. In addition, many analysts believe that the cyclical outlook has deteriorated further due to increased uncertainty following the events in the United States on September 11.

Slower growth, especially if this adversely affects employment, would weaken the government's financial situation via smaller tax revenues. Meanwhile unemployment benefits and other costs would increase government spending. To date, however, the slowdown recorded in the National Accounts and elsewhere has not impacted central government finances. For example, 2001 tax revenues have exceeded the forecast that the Debt Office made on the basis of the economic picture at the beginning of the year. Among the reasons are that employment has developed favourably and that wages and salaries have risen. Also worth noting is that the outlays for unemployment benefits so far this year have been lower than expected.

It is also important to recall that tax revenues are largely determined by nominal magnitudes. Since the downturn in real term growth has coincided with an upturn in inflation, revenues from value-added tax (VAT) and excise taxes, for example, have not been significantly affected. In addition, the reasons behind the downturn in growth matter. Lower exports, for example, are of less importance to central government finances, both directly and via their effects on employment, than lower private consumption, especially in the short term.

The latest sequence of events is likely to delay world economic recovery and adversely affect growth and employment in Sweden as well. However, it is too early to quantify the impact of the latest events on the Swedish economy in general, and on government finances in particular. Thorough new assessments are lacking. The Debt Office has therefore chosen to base its forecast on the macroeconomic picture provided by the August forecast of the Swedish National Institute of Economic Research (NIER).

However, owing to unclear economic developments, there is more uncertainty than usual about the central government borrowing requirement, especially for 2002. It is also more likely that central government finances will be weaker than assumptions on economic trends gathered during the late summer indicate, than that they will be stronger.

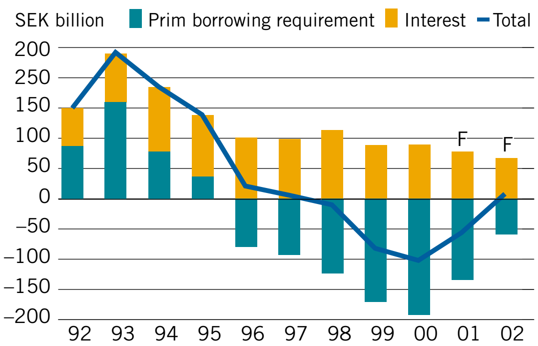
The primary aim of the Debt Office's borrowing requirement forecasts is to provide documentation for the planning of government funding. For this purpose, what is important is for the final forecast figure to be as accurate as possible. What exact factors are assumed to influence events is of less significance. Considering the risk of a deeper downturn, in its final forecast for 2002 the Debt Office has therefore chosen to adjust tax revenues downward by SEK 10 billion. The reasoning behind this adjustment is explained below in the section on the forecast for 2002.

Forecast for 2001

The forecast of central government payments during 2001 is now pointing towards a surplus of about SEK 56 billion. This is equivalent to a downward revision of SEK 30 billion, compared to the May forecast. A surplus in the government budget is synonymous with a negative borrowing requirement, i.e. it means that the government is amortising its debt.

Outcomes for the total borrowing requirement have developed largely as expected, based on the May forecast. However, the structure of the borrowing requirement has been somewhat different than forecast. Smaller disbursements from a number of agencies, plus larger net payments to tax accounts than expected, have resulted in a larger primary surplus than the Debt Office had anticipated in May. Meanwhile the weaker krona caused interest payments on the government debt to change in an unfavourable direction. There are thus no signs that the slowdown has adversely affected Swedish government finances, at least in the short term. The Debt Office therefore sees no reason to revise its forecast of ongoing tax payments and expenditures for the remainder of 2001 based on cyclical considerations.

Central Government borrowing requirement, 1992-2002



The primary surplus, the collective concept for all central government payments excluding interest on government debt, will total an estimated SEK 134 billion in 2001, a decrease of about SEK 20 billion compared to the previous forecast. There are two main reasons for this sharp drop in the primary surplus.

Firstly, the Debt Office has made a downward adjustment of about SEK 12 billion in its forecast of supplementary tax payments in December. This revision is a consequence of the continued unstable performance of financial markets and the fact that falling share prices have reduced the previous relatively large supply of unrealised stock market gains. According to experience, supplementary tax payments are difficult to predict, so the estimate is uncertain. This applies both to the size of the supplementary tax payments and their allocation between payments before and after year-end 2001, respectively.

Secondly, the Debt Office does not anticipate any further revenues from the divestment of state-owned assets during 2001. So far this year, the government has received about SEK 1.5 billion from the redemption of shares in AssiDomän. The forecast for divestment revenues is therefore being reduced by about SEK 13.5 billion.

Partly offsetting both of these downward adjustments is the fact that spending is expected to be lower than according to earlier calculations. This assessment is primarily based on outcomes to date this year. The Debt Office has also taken into account the acceleration of spending announced in the Budget Bill. Net lending by the Debt Office will reach an estimated SEK 10 billion, unchanged since the May forecast.

Interest payments on *central government debt* have declined in recent years; see the chart above. This is due to shrinking government debt and lower interest rates.[1] The same trend is continuing, but at a slower pace than expected. Recently, as mentioned, interest payments have been larger than forecast, mainly due to the weakening of the krona. The forecast for interest payments during 2001 as a whole has been raised by about SEK 10 billion compared to the previous forecast, to SEK 78 billion.

Forecast for 2002

The Debt Office's forecast for 2002 indicates a deficit in central government payments. The deficit is estimated at about SEK 8 billion. This can be compared to an estimated surplus of SEK 64 billion in 2001 and a surplus of SEK 48 billion in the May forecast.

The primary surplus will reach an estimated SEK 59 billion. This is SEK 46 billion less than according to the May forecast. In other words, almost the entire revision is attributable to the primary balance.

In its forecast of tax revenues, the Debt Office has assumed that the tax cuts of SEK 23 billion during 2002 proposed in the autumn Budget Bill will be implemented. The May forecast assumed SEK 20 billion in tax cuts. In other words, the Budget Bill has only led to a minor adjustment.

These tax cuts include another one fourth of the income tax reform that began during the 2000 income year, a tax credit for trade union dues, higher basic deductions and lower VAT on books. Due to continued growth in pay and in consumption, especially in nominal terms, the tax bases for income taxes, employer payroll fees and VAT are assumed to grow. In these areas it is thus lower tax rates, rather than macroeconomic developments, that are assumed to result in lower tax revenues than during 2001.

However, macroeconomic developments are the reason why the forecast for supplementary payments of taxes from households and companies has been lowered by SEK 15 billion. Like the corresponding adjustment for 2001, this revision is mainly based on the assumption that capital gains on the sale of shares and mutual fund holdings will decrease due to the stock market downturn. It should be emphasised that this estimate is uncertain.

The forecast for preliminary company tax payments has been lowered by SEK 8 billion. This revision is

1) The interest estimate is based on interest rates and exchange rates on October 3, 2001.

based on a deterioration in the company profit outlook, due to the economic downturn, plus the fact that the forecast was previously somewhat high. In addition, the Debt Office is anticipating lower customs payments than previously.

As noted in the introduction, the Debt Office has chosen to decrease projected tax revenues by SEK 10 billion, in addition to the revisions that follow from changes in the NIER estimates between May and August. The Debt Office is not taking a position on how the decrease will be allocated among different types of taxes. It cannot be ruled out that weaker economic growth may lead to higher expenditures, such as unemployment benefits. However, the central government's expenditure ceiling leaves little room for higher total spending. The Debt Office therefore assumes that any increases will be largely offset by cutbacks in other expenditure areas. Nor does it matter to the Debt Office's planning of its funding activities whether an increased borrowing requirement is attributable to the income or expenditure side of the budget. It is the balance per se that determines how much the Debt Office must borrow.

The Debt Office anticipates payments of SEK 5 billion from divestments of state-owned property during 2002. This is SEK 10 billion lower than in the previous forecast and deviates equally much from the Budget Bill. This estimate is based on the fact that for some years, actual revenues from such divestments have been lower than projected in the budget. The negative performance of the stock market may also be assumed to help persuade the Government to hold off on major divestments. As usual, this item is very uncertain.

The Debt Office assumes, as in its May forecast, that there will be an extra transfer of SEK 20 billion from the Riksbank (Swedish central bank) to the Treasury. This estimate is based on the fact that the Standing Committee on Finance of the Riksdag (Swedish Parliament) has assumed that a continued analysis of the capital requirement of the Riksbank will show that there is scope for a transfer of at least the same amount as in 2001. Unlike this year's transfer, which consisted of bonds and therefore had no effect on the borrowing requirement, further transfers are assumed to occur through cash payments and will thus reduce the borrowing requirement.

Net lending by the Debt Office will reach an estimated SEK 9 billion in 2002, or SEK 3.5 billion more than in the May forecast. Firstly, the loan-financed structural investments that the Government has proposed in its Budget Bill are expected to increase loans outstanding to agencies by about SEK 2 billion. Secondly, the proposal on changing the financial investment rules for certain agencies means that deposits will shrink by about SEK 1.5 billion compared to the previous forecast. One reason is that interest that was previously added to accounts at the Debt Office and therefore did not affect the borrowing requirement will be disbursed in the future. However, these funds will be re-invested in government securities. This reform is explained in greater detail in the article on page 14.

The net result of the above changes, along with certain minor adjustments on the expenditure side, is to lower the primary surplus by SEK 46 billion compared to the May forecast.

Interest payments on the central government debt are estimated to decrease from about SEK 78 billion in 2001 to about SEK 67 billion in 2002. The lower interest payments are mainly due to the fact that bonds with a high coupon interest rate will mature during 2002 and be replaced by loans with lower interest rates. In addition, due to recent interest rate cuts, interest rates both in Sweden and internationally are lower than the average in the current year.[2]

2) The interest estimate is based on interest rates and exchange rates on October 3, 2001.

Sensitivity analysis

As mentioned above, the forecast is unusually uncertain, among other things because its assumptions about economic developments may prove incorrect. Below is a partial analysis of the impact on the borrowing requirement that changes in some important macro variables, roughly estimated and each analysed separately, will have in a one-year perspective.

Partial sensitivity analysis

One per cent/percentage point increase	Effect on borrowing requirement, SEK billion
Total wages and salaries	–(3–4) *
Household consumption, current prices	–(1–2)
Registered unemployment	3.5–4.5
Swedish interest rates	3
International interest rates	1
Exchange rate	0.5

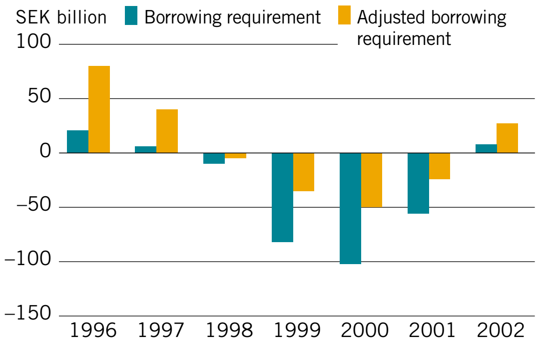
* The effect of total wages and salaries on the borrowing requirement will be reduced by half after two years as the allocation of tax revenues between the state and local authorities is determined, since wages and salaries are largely taxed at the regional and municipal levels.

Sensitivity analyses may prove some guidance as to how the borrowing requirement is affected if the economy should develop differently than expected. The table indicates that it requires relatively major changes in total wages and salaries, for example, to have a significant impact on the borrowing requirement. If one wishes to make an estimate of an alternative scenario in which several variables develop differently, their effects must be added together. Yet it still requires sharp deviations from the estimates on which the forecast is based for the borrowing requirement via these factors to increase by, say, SEK 10 billion. The extra downward adjustment of tax revenues that the Debt Office has made for 2002 is thus relatively large. There are, however, other more variable types of taxes. Corporate taxes, which total more than SEK 100 billion per year, are especially difficult to estimate. The Debt Office has no good measure of the corporate tax base, but bases its forecasts on projections of outcomes and more qualitative estimates of the business profit trend. There is even greater uncertainty about supplementary tax payments, which the forecast assumes will total more than SEK 50 billion. Supplementary tax payments are made primarily due to capital gains, which are estimated to have increased by 500 per cent since 1995. To what extent corporate taxes and supplementary taxes are affected by a weaker economy is hard to assess from history. It is thus also difficult to employ key financial ratios as the basis for sensitivity analyses linked to changed assumptions about economic developments.

Borrowing requirement adjusted for nonrecurring effects

The Debt Office forecasts a surplus of SEK 56 billion this year. In 2002, a deficit of 8 billion is expected. In both years, the reported borrowing requirement is affected by nonrecurring payments. Examples of nonrecurring payments during 2001 and 2002 are maturing mortgage bonds that were transferred from the National Pension Fund, an extra transfer from the Riksbank to the Treasury and any exchange rate losses from exchanges and repurchases. (For a more detailed description of the Debt Office's definition of nonrecurring – or temporary – payments, see the forecast report of January 31, 2001, which can be downloaded from the Debt Office's web site, www.rgk.se.)

Reported and adjusted borrowing requirement



Adjusted for nonrecurring payments, the 2001 surplus will total SEK 24 billion. In 2002, the same calculations indicate an adjusted deficit of SEK 27 billion. The difference between the two years is thus somewhat less in adjusted terms, since nonrecurring payments are assumed to decline in 2002.

Comparisons with other borrowing requirement forecasts

The Government and the NIER published their most recent forecasts of the borrowing requirement in September and August, respectively. The differences between forecasts for the net borrowing requirement 2001 are negligible (see the table below). However, the portions differ from each other since the Debt Office expects a bigger primary surplus, but at the same time larger interest payments.

Comparison between forecasts of borrowing requirement

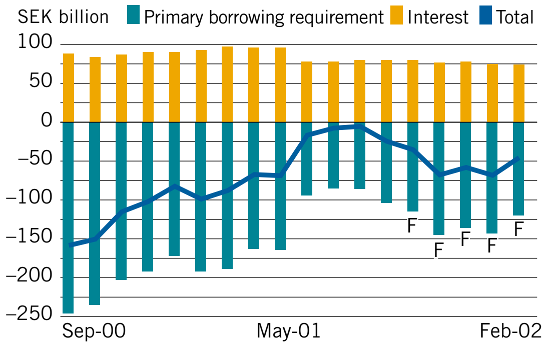
SEK billion	Debt office 2001	Debt office 2002	Government 2001	Government 2002	NIER 2001	NIER 2002
Primary borrowing requirement	–134	–59	–129	–79	–128	–58
Interest payments	78	67	71	63	71	63
Net borrowing requirement	–56	8	–58	–15	–57	5

In 2002 the differences are somewhat larger. These are largely attributable to differences in technical assumptions. For example, the NIER estimate does not include any extra transfer from the Riksbank. In addition, both the Government and the NIER assume that divestments of state-owned assets will be SEK 15 billion, while the Debt Office anticipates SEK 5 billion. Furthermore, interest rates on the government debt differ, since the Government and the NIER use forecasts, while the Debt Office uses interest rates and exchange rates on the forecast date. For example, the estimates of the budget are based on a TCW-weighted exchange rate of 130, whereas the Debt Office estimates a TCW-weighted exchange rate of 142, which was the rate on October 3, 2001. The Debt Office also foresees a decline in tax revenues, which is attributable to an assumption of weaker economic growth due to factors that materialised after the Government and the NIER made their forecasts.

Monthly forecasts

Three times per annum, the Debt Office presents detailed forecasts of the borrowing requirement for the year. Meanwhile it publishes monthly forecasts for the intervening months. If these forecasts should need to be revised between the regular forecasting dates because of final outcomes or other new information, this will be reported in conjunction with the presentation of the borrowing requirement outcome for the previous month. Revisions of forecasts for an entire year will be made between regular reports only on an exceptional basis.

Central government borrowing requirement, 12 months



This forecast presents monthly projections for October 2001 up to and including February 2002, when the next forecast report is published (see the chart and table). The big differences between the same months of each respective year are mainly due to large mortgage bond maturities in 2001 and 2002, plus the fact that the first disbursement of premium pension funds increased the borrowing requirement in the autumn of 2000.

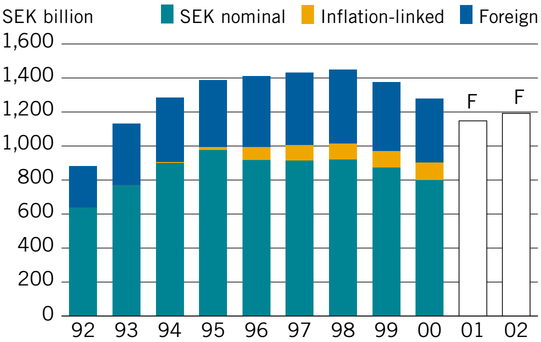
Central government borrowing requirement, SEK billion

	October 2000	October 2001	November 2000	November 2001	December 2000	December 2001	January 2001	January 2002	February 2001	February 2002
Primary borrowing requirement	5.8	–5.1	26.6	–3.3	–3.1	6.1	8.7	1.1	–51.3	–27.9
Interest payments	0.9	0.9	4.4	1.8	7.3	6.9	10.6	8.1	6.0	5.4
Net borrowing requirement	6.7	–4.2	31.0	–1.5	13.4	13.0	19.3	9.2	–45.3	–22.5

The central government debt

The Debt Office anticipates that the central government debt will be about SEK 1,148 billion at the end of 2001 (see the chart below). This signifies a decrease of about SEK 131 billion during the year. The debt is expected to shrink by more than the amount of the budget surplus, mainly because at the turn of the year, the government received Treasury bonds from the National Pension Fund. These bonds reduced the debt by SEK 69 billion without affecting the cash surplus.

Government debt 1992-2002



The government also received an extra transfer from the Riksbank of nearly SEK 20 billion in the form of Treasury bonds. At the turn of the year, the Debt Office also had unusually large short-term investments, i.e. excess borrowing, of about SEK 10 billion, as a result of unexpectedly large tax payments in late December 2000.

Another factor that causes discrepancies between the borrowing requirement and the change in the debt is the exchange rate of the krona. If the krona weakens, the foreign currency debt increases in krona terms (and vice versa if the krona strengthens), and so does total central government debt. The borrowing requirement is affected only if and when exchange rate movements lead to realised exchange rate losses, i.e. if the exchange rate remains at the same weak level when a foreign currency loan is repaid. The debt forecast – like the borrowing requirement forecast – is made on the basis of the exchange rates prevailing on the date of the forecast. So far during 2001, the foreign currency debt has increased due to the weakening of the krona, despite amortisations in the range of SEK 15 billion.

During 2002, the central government debt is expected to increase to about SEK 1,192 billion. Next year, too, the change in the debt will deviate from the budget balance. The reason is the proposed transformation of certain agencies' account balances at the Debt Office to ordinary Treasury bonds in order to make government asset management more effective. This will increase the reported government debt by about SEK 40 billion. It is a matter of an accounting adjustment, without cash flow effects, and will therefore not affect the balance. Nor will it affect the consolidated government debt, which takes into account agencies' holdings of Swedish government securities. The background and impact of this transformation from account balances to bonds is discussed in an article on page 14.

Funding

The central government's funding requirement in the form of bonds and foreign currency loans is expected to increase by SEK 10 billion to SEK 82 billion in 2002. The increase will be limited in spite of a large deterioration of the budget. An increase in funding with short-term maturities is one explanation. Under these conditions, issue volumes of nominal Treasury bonds will remain at SEK 2 billion per auction until further notice. A new ten-year Treasury bond will be introduced during the spring of 2002. The Debt Office estimates that it needs to increase volumes per auction to SEK 3 billion in the course of 2002. Developments next year and coming forecasts of developments in 2003 will decide this.

Gross borrowing

The Swedish National Debt Office presents below its forecast of the 2002 funding requirement and the estimated allocation of this requirement among different types of debt and different instruments. These plans are based on the proposed guidelines that the Debt Office submitted to the Government on October 1. More definite plans can be established only after the Government has made its decision on overall guidelines and the Debt Office, in turn, has put in place operative guidelines based on the Government's decision.

Gross funding requirement, SEK billion

	2001	2002
Net borrowing requirement	–56	8
Maturing foreign currency loans and bonds, plus exchanges	92	86
Maturing Treasury bonds	14	11
Maturing foreign currency loans[1]	32	34
Exchanges of Treasury bonds to Treasury bills	46	41
Funding requirement, excluding short-term SEK funding	36	94
Net short-term funding and household borrowing	–37	12
Funding requiremet, bond and foreign currency debt	73	82
Foreign currency borrowing[1]	4	23
Inflation-linked bond issues	3	5
Nominal Treasury bond issues[2]	66	54
[1] Direct foreign currency loans, spot market, evaluated at book value		
[2] Average volume of issue per auction	3.0	2.5

Note: The table presents the allocation between different types of debt. A number of items are technical assumptions rather than forecasts or plans.

The net borrowing requirement is expected to increase from SEK –56 billion this year to SEK 8 billion in 2002. The gross borrowing requirement, i.e. the Debt Office's funding requirement, consists of the sum of the net borrowing requirement and maturing bonds and foreign currency loans, including exchanges of Treasury bonds. Refinancing of maturing short-term krona loans is not reported.

In 2002, Treasury bonds and foreign currency loans totalling SEK 45 billion will fall due. The Debt Office plans to exchange about SEK 40 billion worth of short-maturity Treasury bonds for Treasury bills during 2002. The gross funding requirement, excluding short-term funding in Swedish kronor, is thus expected to reach about SEK 94 billion next year, or an increase by SEK 60 billion compared to 2001.

Given an increase in short-term borrowing, in the range of SEK 50 billion compared to last year, the funding requirement in the form of bonds and foreign currency loans is expected to increase by some SEK 10 billion to SEK 82 billion. During 2001, short-term financing has been shrinking. This is helping to increase the need for bond issues. The above table also presents an allocation of the funding requirement by types of debt – nominal Treasury bonds, inflation-linked bonds and foreign currency borrowing. The follow sections discuss borrowing in these different types of debt.

Nominal krona borrowing

Short-term borrowing

The Debt Office expects its net financing in the form of Treasury bills to increase during 2002. The scale of financing will be affected by the medium-term net borrowing requirement, but also by how this requirement is distributed among different months and by the Debt Office's need to use its stock of Treasury bills as a way of steering nominal krona debt towards the duration benchmark. The Debt Office's short-term borrowing consists not only of Treasury bills, but also of liquidity management in the form of on-tap bills, overnight loans and repurchase agreements (repos). The Debt Office expects to utilise the latter three forms of borrowing to a somewhat greater extent.

In planning its borrowing, the Debt Office seeks to avoid large variations in issue volumes, especially of Treasury bonds but also Treasury bills. The funding forecast implies that short-term funding as a share of the overall debt will be kept largely unchanged during 2002.[1] Not only will this help stabilise issue volumes of Treasury bonds, but it is among the prerequisites for maintaining the duration benchmark in nominal krona borrowing.

The Debt Office is currently reviewing its issuance policy for Treasury bills. One idea is to limit the number of loans outstanding to six with maturities of up to 18 months, and to issue only bills that mature on IMM dates. This proposal is discussed in more detail in an article on page 15 of this report.

The Debt Office also creates short-term interest rate exposure by means of interest rate swaps. Interest payments on Treasury bonds are swapped to short-term interest rates. Interest-rate swaps in kronor are one element of the Debt Office's task of borrowing cheaply and maintaining the Treasury bond market. This borrowing technique takes advantage of the central government's comparative advantages as a borrower in long maturities, while strengthening the liquidity of the bond market.

Early in 2001, the Debt Office planned to carry out about SEK 30 billion worth of interest rate swaps. It intended to combine around half of this with basis swaps to foreign currencies. Since the plan for amortisations of foreign currency loans has been lowered from SEK 25 billion to SEK 10–15 billion during 2001, at present the Debt Office expects to implement both interest rate and foreign currency swaps in a gross amount of about SEK 35 billion. Market conditions will determine swap volumes during 2002. Today there are no strong reasons that point towards a change in scale.

Utilisation of interest rate swaps contributes to an increase in the need for Treasury bond issues. The scale of interest rate swaps is equivalent to about 70 per cent of planned bond issues. Taking into account maturing swaps, the outstanding stock – the scale of net interest rate and foreign currency swaps – will increase by SEK 27 billion this year and by SEK 18 billion next year.

Treasury bonds

Unchanged issue volume until further notice

Based on the above forecast of the borrowing requirement and the estimated changes in other types of debt, the Debt Office anticipates a gross borrowing requirement in nominal bonds of more than SEK 50 billion during 2002. This represents a decrease of more than SEK 10 billion compared to this year.

The Debt Office therefore expects to maintain its current issue volumes of SEK 2 billion per auction until further notice. Coming economic and budgetary developments, along with coming forecasts for 2003, will decide whether these issue volumes can be kept unchanged. If the assumptions behind the forecast of next year's funding do not change, the Debt Office will increase its issue volumes from SEK 2 billion to SEK 3 billion during the second half of 2002.

The main reasons why issue volumes can be kept unchanged until further notice are that the short-term funding increase and that the Debt Office expects to take out direct foreign currency loans on a larger scale. If the depth of the swap market improves, or if the Debt Office increases the pace of amortisation of foreign currency debt, the gross borrowing requirement in the form of bonds will increase. Any deterioration in the budget outlook will have the same result.

Prioritisation of super-benchmark loans – a ten-year Treasury bond

The introduction of an electronic trading system in the Swedish interbank market has led to an increased focus on "super-benchmark" loans, i.e. bonds with two-, five- and ten-year maturities. E-trading market participants have pledged to serve as market makers for these loans. The Debt Office's policy is to maintain good liquidity in all benchmark loans. At the same time, there is reason to allow borrowing policy to contribute to the liquidity of super-benchmark loans. This would imply that bond issues consist exclusively or mainly of these loans, that is, they would have "on the run status".

1) Despite a forecast net borrowing requirement of close to zero, the gross central government debt is expected to increase by, everything else equal, about SEK 40 billion next year, provided that the Riksdag approves the Government's proposal to transfer certain account balances at the Debt Office to investments in the Treasury bond market. This does not affect the net government debt, however. For further information, see the article on page 14 of this report.

A focus on super-benchmark loans can be viewed as part of the Debt Office's market maintenance efforts. The pricing of super-benchmark loans provides comparatively cheap borrowing for the central government, which is another reason for such a strategy. The choice of loans on specific issue dates is affected by market conditions. Such bond issuance decisions are based on weighing together a number of factors including demand, market uncertainty and the pricing picture, within the framework of other government debt policy restrictions such as the benchmark for duration.

To support the liquidity of the secondary Treasury bond market the electronic trading system, it is an advantage if super-benchmark loans have the customary maturities and, at the same time, are internationally comparable. In the Debt Office's judgement, the maturities of loans 1045 and 1041, around 8.5 and 11.5 years, respectively, during 2002, are too far away from 10 years to fulfil these requirements satisfactorily.

A new ten-year loan will be introduced during the spring of 2002. This loan will probably fall due some time in October 2012, which in terms of maturity is midway between the due dates for loans 1045 and 1041. To rapidly build up liquidity in this loan, the Debt Office will carry out exchanges in the customary way. Further details about the new loan, as well as the exchanges to be offered, will be presented in the next central government borrowing report on February 20, 2002. In the same way as in the case of regular auctions, the Debt Office will gather opinions from the market concerning the thrust of its exchanges.

Inflation-linked borrowing

As its proposed guidelines indicate, the Debt Office believes that an increased share of inflation-linked bonds would lower the risks of central government debt. At the same time, borrowing in the form of inflation-linked bonds should be evaluated in comparison to the costs and risks of other borrowing. This means that the costs of issuing inflation-linked bonds will continue to be important in determining how quickly the share of such bonds increases. Issue volumes will probably vary over time. During periods when the demand is heavy and investors are willing to pay to decrease the inflation risks in their portfolios, it will be possible to issue larger volumes. At times of adverse market conditions the conclusion should be that the Debt Office will continue some issue activity, but avoid issuing large amounts.

The Debt Office's proposed guidelines advocate somewhat greater flexibility when it comes to the choice of maturities in inflation-linked bond issues. A priori, there are reasons to assume that the cost advantages are greatest in the longest maturities, since willingness to pay in order to avoid the risk of inflation should be greatest in the long term. If the demand for inflation-linked bonds focuses during some periods on somewhat shorter maturities, say 5 to 15 years, there should be sufficient flexibility to issue bonds in these maturities as well, if it is justified from a cost standpoint.

By way of summary, the choice of maturities and volumes will depend on the demand situation and the pricing picture. In light of the prevailing market conditions, the Debt Office believes that the outstanding stock of inflation-linked bonds, excluding possible buybacks and transfers of account balances from authorities, will continue to increase next year, too. During 2001, the outstanding stock is expected to increase by SEK 0–5 billion. In its funding forecast, the Debt Office makes a technical assumption that gross issue volumes during 2002 will total about SEK 5 billion.

The Debt Office has helped maintain the liquidity of the inflation-linked bond market by providing an exchange facility for dealers. During some periods, however, this has been utilised so heavily that the role of auctions as an instrument for managing the structure of the inflation-linked bond supply risks being undermined. The most frequent exchanges during such periods have been for inflation-linked bonds with the shortest maturities. In order to strengthen the position of auctions for managing the structure of the inflation-linked bond supply, the Debt Office is planning to limit or stop the sale of the shortest-maturity bonds via exchanges. Since the liquidity of these securities will thus probably decrease, this may be a reason for the Debt Office to offer the market the opportunity for buybacks or exchanges for longer-maturity inflation-linked bonds.

Issue activity will aim primarily at building up the outstanding volumes of the 14-year loan 3105 and the 27-year loan 3104. These are both coupon loans. The 19-year loan 3102 is already relatively large today. The market will also be offered exchanges of the zero-coupon loan 3001 for loan 3105, which is only slightly shorter in terms of duration. In keeping with the Debt Office's statement in its proposed guidelines, the 7-year loan 3101 may also be issued if this is justified from a cost and demand standpoint.

Foreign currency borrowing

Provided that the Government approves the Debt Office's proposal on the pace of foreign currency debt amortisation and the krona remains very weak, the pace of amortisation will presumably be close to zero this autumn and during 2002. Next year, foreign currency loans and swaps equivalent to approximately SEK 60 billion will fall due. More than SEK 40 billion of this consists of maturing loans in foreign currencies and nearly SEK 20 billion consists of maturing foreign currency swaps. The guidelines for the pace of foreign currency debt amortisation concern exposure to foreign currencies. Maturing foreign currency swaps do not affect the gross borrowing requirement, but they do affect currency exposure. To achieve an amortisation pace close to zero, the gross increase in currency exposure must consequently be close to SEK 60 billion.

During 2001, the Debt Office expects to enter into currency swaps in a gross amount of some SEK 35 billion. The Debt Office's assessment today is that swap volumes should not increase to any great extent, for reasons of cost.

Under such circumstances, a certain portion of the gross borrowing requirement in foreign currencies needs to be raised in the form of direct foreign currency loans. As the situation looks today, there are overwhelming reasons why most of the currency risk that the Debt Office needs to build up on a gross basis, as earlier, will be handled in the swap market. This instrument has proved cost-effective while helping to make it possible to keep up borrowing in the krona market and strengthen liquidity. An increase in the swap volume may therefore be considered if market conditions, especially the depth of the market, should allow this. The funding forecast assumes that direct foreign currency loans equivalent to about SEK 20 billion will be raised during 2002.

Foreign currency debt amortisation (change in currency exposure), SEK billion

	2001	2002
Gross requirement for exposure to foreign currencies:	40	59
Change in currency exposure	–12	–2
Maturing foreign currency loans[1]	43	43
Maturing currency swaps	9	18
Increase in gross exposure to foreign currencies:	40	59
Gross foreign currency loans[1]	4	23
Gross foreign currency swaps	36	36

1) Direct foreign currency borrowing, spot market, evaluated at current exchange rate.

Note: The table presents the allocation between different types of debt. A number of items are technical assumptions rather than forecasts or plans.

Summary

The funding requirement in bonds and foreign currencies is expected to increase by SEK 10 billion to SEK 82 billion in 2002. The increase will be limited in spite of a large deterioration of the budget. An increase in funding with short-term maturities is one explanation. Issue volumes of inflation-linked bonds are expected to be at least in the same range as during 2001. Under these conditions, issue volumes of nominal Treasury bonds will remain at SEK 2 billion per auction until further notice. It is estimated that volumes per auction will need to increase to SEK 3 billion in the course of 2002. Developments next year and coming forecasts for 2003 will decide this. A new ten-year Treasury bond will be introduced during the spring of 2002. To achieve a net amortisation of the foreign currency debt of close to zero, i.e. largely unchanged foreign currency exposure, under unchanged market conditions, the Debt Office expects to enter into currency swaps equivalent to some SEK 35 billion. In addition, certain direct foreign currency borrowing will be needed.

Proposed guidelines in brief

In its proposed guidelines for central government debt management, the Debt Office proposes that it be given the opportunity to refrain from amortising foreign currency debt. The Debt Office also suggests that its commitment to inflation-linked bonds continues.

The Debt Office annually submits to the government its proposed guidelines for managing central government debt, based on a legally mandated goal: to minimise long-term costs while taking into account the risks inherent in such management and the constraints imposed by monetary policy. The main points in the proposal are:

- The benchmark for amortising *foreign currency debt* during 2002 should be SEK 25 billion. The Debt Office should be allowed to deviate by SEK –25 billion and SEK +10 billion. The benchmark in 2003 and 2004 should be SEK 35 billion.

- The share of *inflation-linked loans* in the total debt should increase in the long term. This borrowing should be weighed against growth in demand for inflation-linked bonds and costs of other types of debt, with due consideration to risk.

- The rest of the gross borrowing requirement should be covered by *nominal krona-denominated loans*.

- The *maturity* (measured as duration) of total nominal krona and foreign currency debt should be unchanged at 2.7 (±0.3) years. Inflation-linked borrowing should occur in long maturities.

The proposed benchmark for amortising foreign currency debt is unchanged from the decision now in force but SEK 10 billion below the long-term strategy the Government stated last year. The reason is that the krona has been extremely weak, making it expensive to amortise foreign currency debt. It may be justified during a short or long period to refrain from amortisations. In the Debt Office's judgement, it would be inappropriate to lower the benchmark. If the krona strengthens to more normal levels, an extra Government decision might be required. Keeping the existing benchmark also underscores the long-term ambition of reducing foreign currency debt.

A more appropriate adjustment is to expand flexibility, mainly downward. Given a benchmark of SEK 25 billion, an interval of SEK –25 billion and SEK +10 billion will enable the Debt Office to refrain from amortising if the krona remains weak. The upper limit of the interval is equivalent to the long-term strategy of SEK 35 billion per year.

The Debt Office's proposal to increase the share of inflation-linked debt corresponds to the guidelines now in force. Qualitative reasons indicate that it is possible to lower risks by supplementing central government debt, which is mainly nominal, with inflation-linked loans. In quantitative analyses, the dominant result is that the differences between inflation-linked and nominal loans are small.

An increased share of inflation-linked loans would diminish the risks in government debt. There is also potential for developing the inflation-linked bond market in such a way that the government's costs for utilising its risk-related advantages can be kept low, but this work may take time. No quantitative specification of the guidelines should be made.

As for the maturity of nominal debt, the Debt Office proposes no changes. However, it proposes that *long-term maturity* be interpreted as meaning longer than five years on the issue date instead of the current interpretation that most inflation-linked borrowing should have a maturity of at least ten years.

The Debt Office believes that the handling of its exchanges between kronor and foreign currencies is not adapted to its task of handling foreign currency debt amortisation more actively and weighing in the value of the krona to minimise costs. The Riksbank makes the exchanges in the market at a mechanically uniform pace to avoid confusion with monetary and currency policy-related transactions. This also makes it necessary for the Debt Office to announce all changes in planned amortisations in advance, even when this is not appropriate from a government debt policy standpoint. Amortisations and interest payments on central government debt are the only government payments in foreign currencies administered in this way. A number of government agencies with large foreign currency transactions make foreign currency payments via ordinary banks.

The Riksbank has not stated that a solution in which the Debt Office bypasses the Riksbank when exchanging currencies would go against monetary policy constraints in a flexible exchange rate regime. This favours a more flexible solution than the current one.

The Debt Office thus proposes that currency exchange rules in its instruction be amended to allow it to select counterparties other than the Riksbank. It outlines a solution that will ensure predictability and transparency about the scale and aim of its currency exchanges, while adapting the methods of administering and announcing these exchanges to the goals of government debt policy.

No amortisation in 2002 at existing krona exchange rates

"The benchmark for the amortisation of the foreign currency debt during 2002 should be SEK 25 billion, but we should be allowed to go down to zero", says Thomas Franzén, Director General of the Swedish National Debt Office. "The best response to an extreme situation in the foreign currency market is great flexibility".

"If the Government approves the Debt Office's proposed guidelines, I will propose to the Board of the Debt Office that we should not amortise foreign currency debt during 2002 if the krona remains extremely weak".

"It is simply too costly to amortise at the existing exchange rates," Mr. Franzén explains. "We need a clear strengthening of the krona before we again begin to amortise the foreign currency debt".

According to the proposed guidelines, it will be possible for the Debt Office not to amortise at all during 2002, or to go back to an amortisation rate of SEK 35 billion per year. The long-term goal for amortising foreign currency debt will remain SEK 35 billion per year, and this goal will apply during 2003 and 2004.

The complete Proposed Guidelines are available at ***www.rgk.se*** or can be ordered from the Swedish National Debt Office, SE-103 74 Stockholm, Sweden.

The Government will publish its decision on the overall guidelines for central government debt management by November 15 at the latest. In December, the Board of the Debt Office will approve operative guidelines for debt management.

Account balances exchanged for bonds

The transformation of agencies' account balances at the Debt Office into government securities will create the preconditions for more efficient government asset management.

In its Budget Bill, the Government proposes that central government agencies engaging in large-scale management of assets intended for special purposes outside the central government budget should be entitled to invest in Swedish government securities markets. The proposal is based on a report submitted by the Swedish National Debt Office last spring.

Until now, these funds have been held in accounts in the Debt Office's system for deposits from agencies. This account system is designed to manage the day-to-day liquidity of agencies. It mainly consists of small balances that the agencies do not actively manage with the aim of increasing the return on assets.

The interest rates on these accounts are calculated on the basis of prevailing market rates in order to reflect the opportunity cost to the central government for its financing. These interest rate calculations are, however, approximations. The reason is that the interest rates that can be seen in the bond market are indicative and do not take into account the size of the amounts invested. In most cases, however, approximated interest rates are sufficient. Firstly, it is mainly a question of simple, limited balances. Secondly, it is a question of internal pricing, i.e. minor deviations from market conditions do not result in net losses to the central government.

Portfolio management

However, the deposits of some government agencies at the Debt Office are of a different nature. This is true of the Deposit Guarantee Board, the Premium Pension Authority and the Swedish Nuclear Waste Fund. These agencies manage sizeable funds that are intended for special purposes outside the central government budget. In other words, they engage in long-term asset management.

In the case of large-scale asset management, there is a risk that faulty pricing will lead to excessive or insufficient return on the managed assets. These problems increase when there are larger amounts, since even minor deviations from the prevailing market interest rates may substantially impact the return on assets and the central government's interest expense. Especially problematic is active management of inflation-indexed bonds.

According to the Government's proposal, the Deposit Guarantee Board, the Premium Pension Authority and the Swedish Nuclear Waste Fund will be given the opportunity to invest directly in Swedish government securities in the bond markets. The funds that would therefore be transferred from accounts at the Debt Office to government securities markets are estimated at SEK 40 billion.

One positive side effect of the proposal is that the prerequisites for a well-functioning inflation-linked bond market will improve. The inflation-linked assets that are managed today by the Swedish Nuclear Waste Fund and the Premium Pension Authority are equivalent to about 20 per cent of the government's outstanding stock of inflation-linked bonds.

Effects on the central government debt

This reform will not affect either the consolidated gross debt of the public sector as defined by the European Union, the consolidated government debt or the financial balance, since these funds will be invested exclusively in Swedish government securities. However, government debt as reported by the Debt Office, i.e. in unconsolidated form, will increase by the amount of these investments. The reason is that the Debt Office's deposits from government agencies are not included in the definition of government debt, whereas government securities are included. The difference between consolidated and unconsolidated government debt would rise from about SEK 3 billion to about SEK 43 billion. This is why the Government intends to focus increasingly on consolidated government debt as a more true and fair measure of the claims on the central government.

The transfer will not affect the central government borrowing requirement and budget balance. The borrowing requirement, which by definition is the same as the budget balance (albeit with the opposite sign) is a cash flow-related concept. Since the account balances of these government agencies will be exchanged for bonds without any payments being made, the central government's cash position will be unchanged by the transactions.

The Debt Office expects the transfer to be fully implemented by July 1, 2002.

New Treasury bill issuance policy – a proposal

The Swedish National Debt Office is currently reviewing its policy for the issuance of Treasury bills. The question is how the Debt Office can help improve the liquidity and pricing of these securities. One idea is to limit the number of outstanding loans to six and issue only Treasury bills of up to 18 months, with maturities falling on International Monetary Market (IMM) dates. This would provide a stronger link between the Treasury bill market and other markets for short instruments, which should increase interest in active trading. The proposed reform requires increased borrowing via on-tap bills.

Background

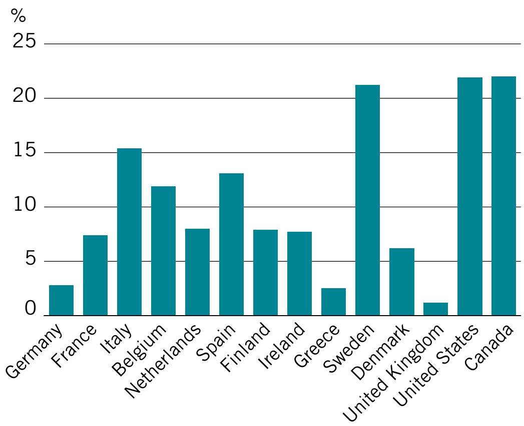
The Swedish Treasury bill market is generally considered to have changed for the worse in recent years. What this assessment usually refers to is the liquidity of the secondary market, for example trading volume and pricing. In the past three years, trading volume in the secondary market has shrunk by about 40 per cent. Pricing has been worst in the shortest-term bills, where there have usually been no two-way prices.

Efficient trading in the secondary market is important if the Debt Office's Treasury bills are to remain attractive investment instruments. Other markets for short-term financial investments have developed substantially – a trend that the Debt Office welcomes. In response to the changed situation in the Treasury bill market and intensified competition from other short-term financial investments, the Debt Office intends to review its policy for the issuance of Treasury bills. During the spring of 2001, the Debt Office therefore conducted a survey aimed at gathering the views of market participants on the situation, as well as examining whether there are ways of enhancing the market and improving its liquidity.

Even before it conducted this survey, the Debt Office had some ideas about the reasons for the changed situation. The increased stability that has characterised the Swedish fixed-income market is presumed to be largely a result of increased confidence in Sweden's monetary and fiscal policies. Interest rate movements have diminished, thereby decreasing the interest in active trading. Although this background was well known, it was important to hear the views of market participants, not only in order to gather a variety of opinions but also to increase the Debt Office's detailed knowledge of the market.

In an international perspective, Sweden has a large stock of Treasury bills in relation to the size of its central government debt. Countries that have about the same share of Treasury bills are the United States and Canada. Other particularly large Treasury bill markets in absolute terms are France and Italy. Especially among small countries, a large share of Treasury bills in the government debt mix is unusual. The chart below shows the stock of Treasury bills as a percentage of total debt in selected countries. This stock of Treasury bills includes zero-coupon instruments with initial maturities of up to 24 months. In a number of countries, there are floating-rate instruments with longer maturities. These are, however, not included in the comparison.

Treasury bills as a percentage of total debt



The Debt Office's survey

The Debt Office gathered the opinions of market participants by means of two questionnaires. One questionnaire was targeted to Treasury bill dealers and one to investors. Respondents included major Swedish insurance companies, industrial corporations, banks and mutual funds as well as some state-owned companies.

Supplementary opinions were also gathered in interviews with investors. The questions asked in the two questionnaires were roughly the same in cases where they were relevant to both investors and dealers. This makes it possible to compare the responses of these two categories.

On the questionnaires, there were questions requiring short answers such as Yes or No, as well as questions seeking the respondent's own opinions.

The survey largely confirms the picture of market problems and their causes presented above. The liquidity of the secondary market is perceived as poor, especially for the shortest-term Treasury bills. It is difficult to obtain large volumes at reasonable prices. Decreased interest rate movements and poor liquidity have made active trading less profitable and have reduced its scale. This has an impact on total volume.

Among the more specific responses, it can be mentioned that dealers believe that lower trading volume is mainly due to "changed behaviour among end clients." Investors, however, believe that the most important reason for lower trading volume is "the lack of two-way prices." The ability of dealers to act as market-makers depends on the desire of investors to sell their holdings, just as the desire of investors to trade depends on the dealers' market-making ability. This leads to a negative spiral. Despite their differing perspectives, there may thus be justification for both perceptions.

According to their questionnaire responses, most investors use Treasury bills mainly for cash management purposes. This may indicate that the share of buy and hold investors has increased. Investors would like to see the addition of more dealers. Another proposal to improve liquidity, which originated with both investors and dealers, is to focus the stock of Treasury bills on fewer maturities.

Both investors and dealers have a positive view of electronic trading in Treasury bills. Investors favour it somewhat more than dealers, however. Among the advantages of electronic trading that are cited is improved market transparency, which should attract more dealers. Among the disadvantages, according to some respondents, is that liquidity would not necessarily improve since there are too few end clients who trade.

In a narrower perspective, the poorer secondary market situation has actually meant an improvement in the Debt Office's auctions. Some investors have become more interested in auctions and submitted more aggressive bids, since they may have problems buying Treasury bills in the secondary market.

Contacts with investors who had failed to respond to the questionnaire indicate that many investors have not only decreased their activity in the Treasury bill market, but have left it completely.

Fewer Treasury bill loans

One possible way of improving liquidity in the Treasury bill market is to decrease the number of maturities. By issuing larger volumes in fewer loans, it would be possible to create a better benchmark curve for Treasury bills. Legislation governing securities funds limits the Debt Office's room to change its issuance policy. By law, securities funds holding securities from only one issuer, must hold at least six different loans from that issuer. Today the Debt Office normally has eight Treasury bill issues outstanding. The number could thus be cut to six without any legal obstacles. However, fewer Treasury bills may have practical consequenses for short term securities funds.

There are alternative ways to reduce the number of Treasury bills and thereby change the structure of the Treasury bill yield curve. The Debt Office advocates a model in which Treasury bills are issued only with maturities that coincide with IMM dates. The loans would thus be issued with maturities of 3, 6, 9, 12, 15 and 18 months. This strategy would consequently involve lengthening the Treasury bill yield curve from today's 12 to 18 months.

By only issuing Treasury bills with maturities coinciding with IMM dates, the Debt Office believes that overall interest in Treasury bills might increase. The new structure would also make the links with other nearby markets stronger.

While the Treasury bill curve would be stretched out in time, the supply of Treasury bills at the short end of the curve would diminish. To meet the demand for short-term investments, the Debt Office should therefore expand its on-tap operations. On-tap bills would thereby serve as the main way of satisfying the need for short-term investments, while regular Treasury bills with maturities coinciding with IMM dates would create the preconditions for increased interest in Treasury bill trading, compared to the issuance strategy of today. Implementation of the new strategy would require a transitional period of at least six months.

The policy outlined here is a proposal from the Debt Office. The proposal will be tested in a dialogue with market participants, before the Debt Office makes a final decision.

IMM means International Monetary Market. IMM days occur on the third Wednesday of March, June, September and December.

Market information

Swedish government debt

Source: Swedish National Debt Office, unless otherwise stated.

Treasury bonds, outstanding volumes, October 5, 2001

Nominal bonds Maturity date	Coupon %	Loan no.	Nominal amount MSEK
2003-05-05	10.25	1033	55,031
2004-01-15	5.00	1042	63,085
2005-02-09	6.00	1035	61,929
2006-04-20	3.5	1044	61,026
2007-08-15	8.00	1037	36,213
2008-05-05	6.50	1040	53,116
2009-01-28	5.00	1043	56,419
2011-03-15	5.25	1045	55,003
2014-05-05	6.75	1041	46,211
Total benchmarks			488,032
Non benchmarks			17,715

Inflation-linked bonds

Maturity date	Coupon %	Loan no.	MSEK
2001-10-01	Zero	3003	0,685
2004-04-01	Zero	3002	17,769
2008-12-01	4	3101	32,406
2014-04-01	Zero	3001	26,497
2015-12-01	3.5	3105	13,541
2020-12-01	4	3102	16,817
2028-12-01	3.5	3103	0,003
2028-12-01	3.5	3104	7,500
Total inflation-linked bonds			115,217
Total Treasury bonds			620,964

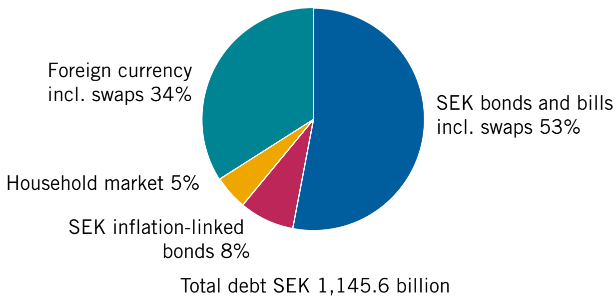
Treasury bills, outstanding volumes, October 5, 2001

Maturity date	Nominal amount MSEK
2001-10-17	20,000
2001-11-21	30,589
2001-12-19	28,822
2002-01-16	13,600
2002-03-20	50,195
2002-06-19	54,197
2002-09-18	36,474
Total	233,877

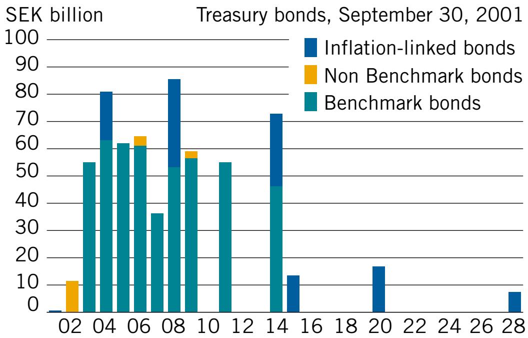
Rating

	Debt in SEK	Foreign currency debt
Moodys	Aaa	Aa1
Standard & Poors	AAA	AA+

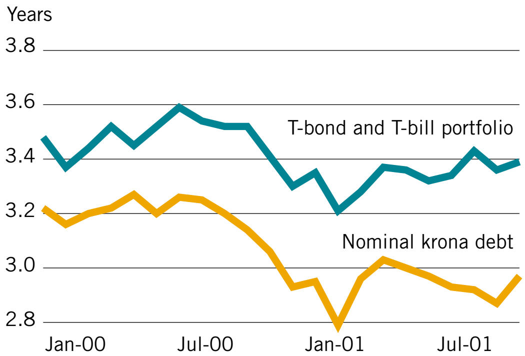
Debt composition
September 30, 2001



Maturity profile, SEK nominal and inflation-linked bonds



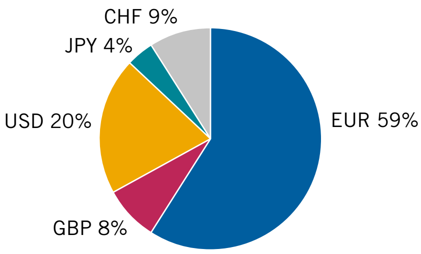
Duration of the krona



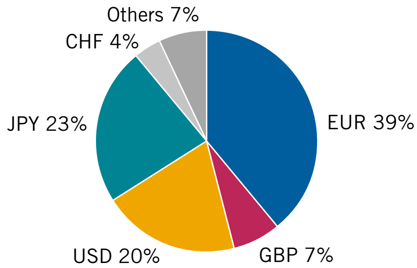
Foreign currency borrowing

SEK billion	2001
Net borrowing	(–10)–(–15)
Maturing debt incl. swaps	44.9
Realised currency losses (+) / gains (–)	11.2
Planned gross borrowing	46.1–41.1
Capital market borrowing	0.0
SEK/Foreign currency swaps	22.9
Funding as of September 30, 2001	22.9

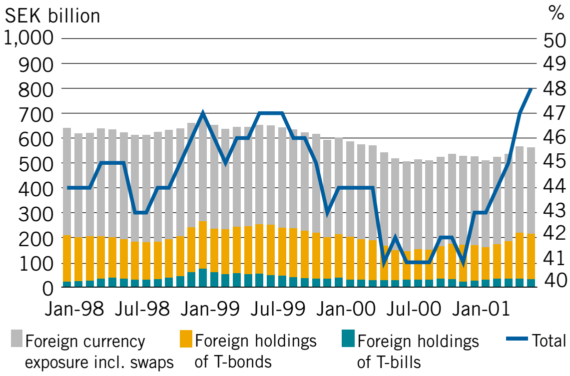
Foreign currency debt, benchmark



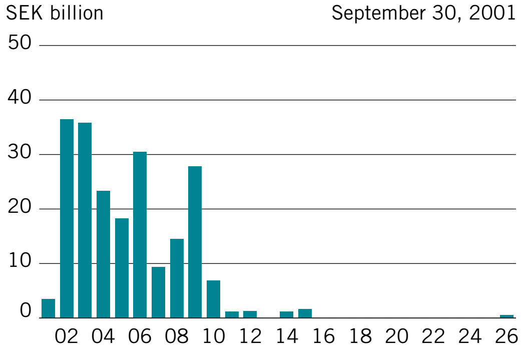
Foreign currency debt



Foreign currency exposure and foreign holdings of Swedish Government securities



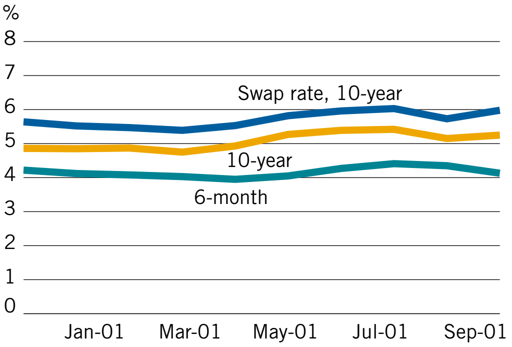
Maturity profile, foreign currency debt excl. callable bonds



Financial markets

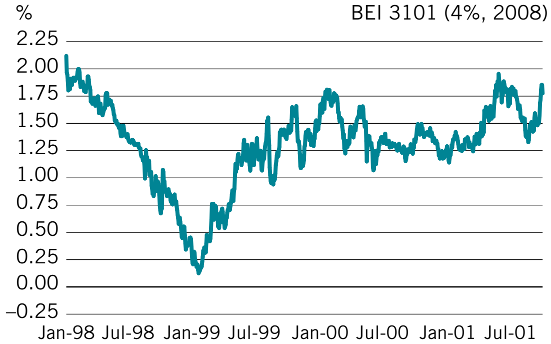
All dates up to September 30, 2001

Historical interest rates



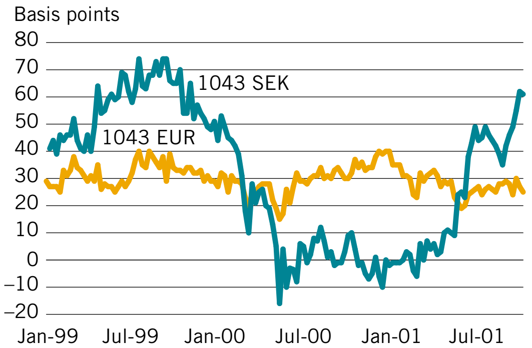
Source: Ecowin

Break-even inflation



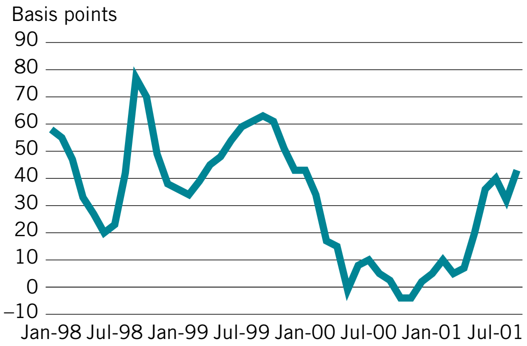
Source: Ecowin

Yield spread vs Germany 1043, 1043E (2009)



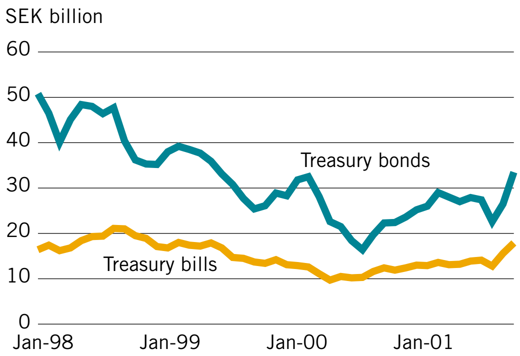
Source: Reuters

Yield spread vs Germany – 10-year



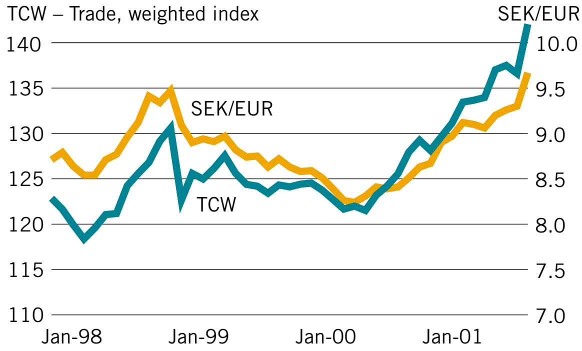
Source: Ecowin

Daily trading volume Swedish government securities



Source: The Riksbank

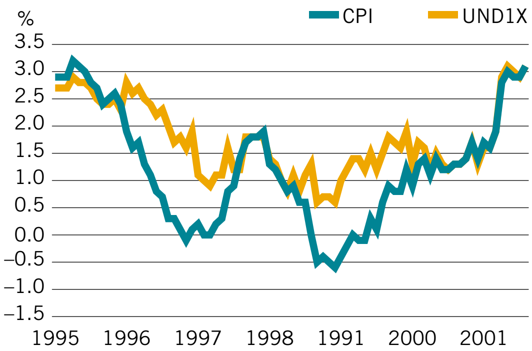
Historical exchange rates



Source: Ecowin

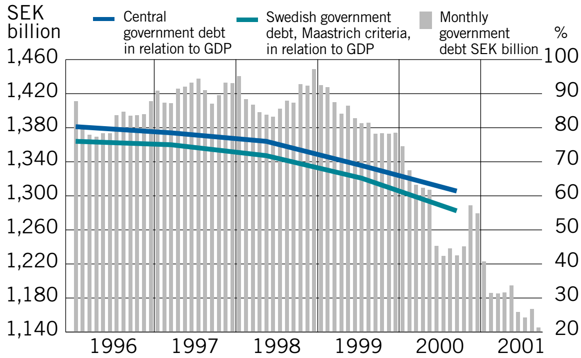
Swedish economy

UND1X and CPI in Sweden



Source: Statistics Sweden

Government debt, 1996-2001



National accounts

Percentage change Supply and demand			2000	2001	2002	2003
Gross domestic product[1]			3.6	1.6	2.7	2.7
Imports			9.7	0.5	5.5	5.9
Household consumption expenditure			4.1	1.6	3.1	2.5
Gorvernment consumption expenditure			1.7	1.2	1.0	0.7
Gross fixed capital formation			4.5	4.9	5.2	3.3
Stock building			0.6	–0.3	–0.1	0.0
Exports			9.8	0.7	4.9	6.7
Selected statistics	**Jul-01**	**Aug-01**	**2000**	**2001**	**2002**	**2003**
CPI, year-on-year		3.1	1.3	2.6	1.8	2.1
Unemployment rate		4.3	4.7	4.0	3.9	3.6
Current account	2.5		2.9	1.9	1.2	1.7

1) SEK 2,083 billion (current prices 2000).

Source: Statistics Sweden, The Riksbank, forecast: National Institute of Economic Research

Dealers

Dealer	Telephone	Reuter-page
ABN Amro Bank NV	+46-8-506 155 00	2001
Consensus – Den Danske Bank A/S	+46-8-568 808 44	PMCO
Salomon Smith Barney	+46-20-798 69 341	
S E B	+46-8-506 23 151	PMSE
Svenska Handelsbanken	+46-8-463 46 50	PMHD
Swedbank (Föreningssparbanken)	+46-8-700 99 00	PMBF
Unibank/	+45-33-33 17 58	
MeritaNordbanken	+46-8-614 86 55	PMUB
E Öhman J:or Fondkommission AB	+46-8-679 22 00	PMOR

The next issue of Central Government Borrowing: Forecast and Analysis will be published on Wednesday February 20, 2002, at 9.30 am.

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