RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

Central Government Borrowing

Forecast and Analysis 2009:3

SUMMARY

CONTINUED BUDGET DEFICIT BUT SOME IMPROVEMENT

UNCHANGED FUNDING IN GOVERNMENT BONDS

MARKET INFORMATION

In *Central Government Borrowing – Forecast and Analysis 2009:3*, we present forecasts for central government finances and funding in 2009, 2010 and 2011. In the first section, we present annual and monthly forecasts for central government finances and the underlying analysis. These forecasts serve as the basis for funding, which is dealt with in the second section of the report.

SWEDISH NATIONAL DEBT OFFICE'S MISSION

The Debt Office is the Swedish government's financial administration. Our mission includes central government funding and debt management. The aim is to do this at the lowest possible cost while avoiding excessive risk.

In *Central Government Borrowing – Forecast and Analysis*, which is published three times a year, we present forecasts for central government finances in the coming two years. On the basis of these forecasts, we estimate how much the government needs to borrow and produce a plan for funding which is also included in the report.

On the fifth working day of each month, we publish the outcome of the central government budget balance (the net of all incoming and outgoing payments) for the previous month. We compare this outcome with the forecast from *Central Government Borrowing – Forecast and Analysis* and explain any deviations. In connection with the monthly outcome, we also present the debt development in the report *The Swedish Central Government Debt*.

Summary

The Debt Office's new forecast shows a smaller budget deficit this year than the June forecast. The main reason is that the recent stabilisation of the financial markets has made it less probable that Swedish banks will need capital contributions from the state. Neither the Budget Bill nor the development of the economy has entailed any major changes in the forecast for 2010. The economic recovery will start having an impact on tax revenue in 2011. The fact that central government finances are developing largely as expected means that we can maintain the current pace of borrowing in nominal government bonds for the next two years.

The budget deficit will be SEK 179 billion this year and SEK 64 billion in 2010. This is SEK 19 billion and SEK 8 billion less than we expected in June. Our first forecast for 2011 indicates a deficit of SEK 40 billion.

The main reason for the lower deficit for 2009 is that it is no longer probable that the banks will need the state capital contribution of SEK 20 billion that we assumed in June.

The forecast for 2010 does not include any major changes. Proposed expenditure increases and tax cuts in the Budget Bill were in accordance with our assessment of SEK 25 billion. Our macroeconomic outlook from June is largely unchanged.

In 2011, tax revenue will return to a more normal rate of increase, which improves the budget balance. An offsetting factor is that we assume fiscal policy measures in the range of SEK 20 billion.

Indications of recovery

According to our macroeconomic scenario in June, some recovery in the real economy would take place during the second half of 2009 after the extreme fall during the winter. This assessment is supported by a number of forward-looking indicators. However, the recovery may come slightly later than we expected then.

The drop in GDP for 2009 will probably be between 4.5 per cent and 5.0 per cent. For 2010 and 2011, we expect growth of just over 2 per cent for both years. The recovery is relatively slow and GDP will not be back at the same level as in 2007 until 2011.

Unchanged pace of borrowing

Central government borrowing in 2009 will be slightly lower compared with the previous forecast. The funding requirement is nonetheless extensive this year, mainly due to on-lending and large bond maturities. The funding requirement will fall sharply in 2010.

Funding in nominal government bonds will remain at SEK 3 billion per auction in 2010 and 2011. We reduced the issue volume at the beginning of the autumn in accordance with the June forecast. This was possible as we had issued a large 30-year bond loan and increased foreign currency funding in the spring.

Bond funding in foreign currency will total SEK 123 billion in 2009. The sharp increase in relation to previous years is mainly due to on-lending to the Riksbank. Next year, bond funding in foreign currency will decrease to SEK 25 billion.

Funding in T-bills will decrease slightly compared with our previous forecast for 2009, but instead increase for 2010.

The forecast for inflation-linked funding in 2010 is unchanged and we will accordingly issue inflation-linked bonds for SEK 10 billion next year. That volume will be maintained in 2011.

Central government debt increases

The central government debt will be SEK 1,185 billion at the end of 2009, increasing to SEK 1,249 billion and SEK 1,289 billion respectively at the end of 2010 and 2011. This corresponds to 38 per cent of GDP this year, 39 per cent in 2010 and 40 per cent in 2011.

Central government debt including the Debt Office's financial assets will be 35 per cent of GDP at the end of 2009 and 36 per cent at the end of 2010 and 2011.

Continued budget deficit but some improvement

Our new forecasts for the budget balance are deficits of SEK 179, 64 and 40 billion for 2009, 2010 and 2011 respectively. We do not expect that the capital contribution programme for banks will be used, which mainly explains why the budget deficit for 2009 is SEK 19 billion smaller than in the June forecast. Neither the fiscal policy measures in the Budget Bill nor the macroeconomic development have led to any major changes in the forecast for 2010. The improved state of the economy leads to a reduced deficit in 2011 compared with 2010.

Table1. CENTRAL GOVERNMENT NET BORROWING REQUIREMENT [1] AND CENTRAL GOVERNMENT DEBT

		Forecast		
SEK billion	2008	2009	2010	2011
Central government debt at the beginning of the year	**1,168**	**1,119**	**1,185**	**1,249**
Primary borrowing requirement excluding on-lending and sales	−92	46	34	12
Sales of state-owned assets	−77	0	0	0
Interest on central government debt	**33**	**31**	**22**	**29**
Net borrowing requirement excluding on-lending	**−135**	**77**	**56**	**40**
On-lending [2]	0	102	8	0
Net borrowing requirement	**−135**	**179**	**64**	**40**
Debt adjustments	31	−47	0	0
Short-term investments (annual change)	55	−66	0	0
Change in central government debt	**−49**	**66**	**64**	**40**
Central government debt at the end of the year [3]	**1,119**	**1,185**	**1,249**	**1,289**
The Debt Office's financial assets [4]	−66	−102	−110	−110
Central government debt incl. the Debt Office's financial assets	**1,053**	**1,083**	**1,139**	**1,179**

1 *The net borrowing requirement shows what the government needs to borrow to fund budget deficits. When there is a budget surplus, the net borrowing requirement is negative.*
2 *Refers to lending to the Riksbank and other states.*
3 *Unconsolidated central government debt according to the official definition.*
4 *Financial assets including short-term investments and on-lending.*

The central government budget will show a deficit this year and the coming two years in the light of the current downturn; see the net borrowing requirement in table 1. Our previous forecasts for 2009 and 2010 are in principle unchanged with the exception that we no longer expect any capital contribution to banks this year. The stable forecasts are mainly due to our macroeconomic assessment from the spring being largely unchanged.

The deficit for 2009 decreases by SEK 19 billion compared with the previous forecast. This change is mainly due to our removing the assumption of SEK 20 billion in capital contributions to banks in the light of the dampening of the financial turbulence.

The deficit for 2010 decreases by SEK 8 billion compared with the previous forecast. This is mainly explained by lower development assistance due to the decline in gross national income, and lower interest payments on the central government debt. Overall, the proposals in the Budget Bill were in line with our assessment of SEK 25 billion. The changes in tax revenue will be small, since the economy is developing in line with our assessment from June.

During 2011, tax revenue will revert to a more normal rate of increase. We do not expect any on-lending in 2011. However, we have assumed that the Riksdag will decide on new expenditure increases and/or tax cuts in the range of SEK 20 billion.

The state of the Swedish economy

According to our macroeconomic scenario in June, some recovery would take place in the real economy during the latter half of the year after the extreme reduction in activity during the winter. This assessment is supported by a number of forward-looking indicators. However, the recovery may come slightly later than we expected then. This means that the reduction in GDP for 2009 will be slightly greater and land at between 4.5 per cent and 5.0 per cent. For 2010 and 2011, we are expecting growth of just over 2 per cent for both years. The recovery is relatively slow and it will take until 2011 before GDP is back at the same level as for 2007.

Swedish industry has undergone a sharp decline in the past year. Available data so far shows falling production. The third quarter is probably affected by many companies halting production. The increase in production that is expected in the coming period will take place from very low levels. However, even if the level is low, a positive development will have an impact on the development of GDP, not least for next year. It is not impossible that the industry sectors that have had the sharpest fall in percentage terms will also have the largest upturn. Even if growth rates are positive, levels will be far lower than they were a couple years ago.

Brighter prospects for households

The labour market does not look quite as dismal any longer. The record-high level of redundancy notices last winter has fallen to considerably lower levels. In September, redundancy notices fell for the first time compared with the same month last year.

Low resource utilisation in companies means that the need for new recruitment will be limited when demand rises. Productivity in companies will therefore improve considerably. Unemployment rises throughout next year and will not stabilise until 2011 at 11.0 per cent.

Future expectations of households have improved in the past six months. Contributory reasons are probably that those who avoided becoming unemployed experience that their situation has improved with rising asset prices, tax cuts and very low interest rates. This development indicates that consumption may be higher in the coming period than during the past year.

International economic recovery crucial

The international economic recovery is crucial since Sweden is a small, open economy which is highly dependent on exports. The economic downturn started already at the beginning of 2008. It accelerated due to the financial meltdown last autumn. Since then, states throughout the world have carried out an extremely expansive monetary policy and stimulated the economy with fiscal policy measures. Many of these measures have been directed at the financial sector. This has resulted in better functioning financial markets. Stability is based on government support, at least initially.

Just as last time we believe that a stabilisation of the financial markets is the most important ingredient for real economic recovery. Functioning credit markets and an increased belief in the future with rising stock market prices are very important. To date, Asia has recovered first while the United States and Europe are lagging behind. It is difficult to foresee how quick and sustainable the recovery will be.

The monetary policy stimulation must sooner or later be withdrawn. Many countries are also wrestling with large deficits in public finances. It is reasonable to assume that this should eventually mean higher interest rates and higher taxes or a reduction of expenditure, which will have a restraining effect on private consumption and investments. Sweden differs here to the extent that we have strong central government finances in an international perspective.

Stable budget forecasts

The budget deficits will be SEK 179 billion for 2009, SEK 64 billion for 2010 and SEK 40 billion for 2011. For the first two years, this is SEK 19 billion and SEK 8 billion respectively less than in our previous forecast. The forecast for the underlying central government finances is in principle unchanged.

Table 2. LARGEST CHANGES COMPARED WITH THE PREVIOUS FORECAST, 2009 [1]

SEK billion

Taxes	5
Public Employment Service	–4
Municipalities	7
Swedish Board of Agriculture	–2
Other	–1
Primary balance	**6**
Net borrowing requirement (including on-lending)	–25
Interest	0
Total change, net borrowing requirement	**–19**

Table 3. LARGEST CHANGES COMPARED WITH THE PREVIOUS FORECAST, 2010 [1]

SEK billion

Taxes	12
Dividends	2
Social Insurance Agency	1
Study allowance	1
Municipalities	4
Development assistance	–3
Swedish Board of Agriculture	2
Predicted fiscal policy [2]	–25
Other	–1
Primary balance	**–7**
Net borrowing requirement (including on-lending)	1
Interest	–2
Total change, net borrowing requirement	**–8**

[1] *The table is based on cash flow. A minus means that the net borrowing requirement decreases and a plus means that it increases. The net borrowing requirement is equal to the budget balance with the opposite sign.*

[2] *In June, we forecast SEK 25 billion in new expenditure increases and/or revenue reductions. After the budget bill, we have distributed these to the respective area and removed the level adjustment.*

Effects of the new budget

A number of new measures are proposed in the Budget Bill for 2010, which lead to lower revenue and higher expenditure. These proposals mainly relate to measures for 2010 but in some cases affect the budget balance already in 2009.

Tax on labour is being cut in a fourth stage of the in-work tax credit. Social security contributions are being reduced for the self-employed. Furthermore, tax is being cut for pensioners through a special basic deduction. Together, these changes will lead to tax cuts of around SEK 15 billion in 2010.

The municipalities will receive temporary cyclical assistance of SEK 10 billion during 2010. Over half of this money, SEK 6 billion, will however be disbursed this year. The remaining SEK 4 billion will be disbursed during 2010. Moreover, the county councils will receive an additional SEK 1 billion this year to reduce the effects of the influenza pandemic.

In the Budget Bill, additional funding is also being provided for students, the judicial system, infrastructure and the labour market. These changes increase expenditure next year by around SEK 9 billion according to our assessment. In all, the budget balance is affected by SEK 24 billion in 2010 and SEK 7 billion this year. In our previous forecast, we had assumed a general fiscal policy stimulation of SEK 25 billion in 2010. We have now removed this adjustment and distributed the effects of the budget to the respective area; see table 3.

On-lending to the Riksbank, Iceland and Latvia

We estimate on-lending of SEK 102 billion for 2009 and SEK 8 billion for 2010. This is a reduction of SEK 5 billion for 2009 and an unchanged forecast for 2010.

In the previous forecast, we estimated that we would borrow the equivalent of SEK 100 billion in foreign currency in 2009 on behalf of the Riksbank. The background is that the central bank wanted to strengthen the currency reserve. The Riksbank has borrowed the equivalent of SEK 97 billion and this on-lending is now completed. This reduces the budget deficit by SEK 3 billion in 2009 compared with the June forecast.

We are also expecting the Riksbank to retain the same volume of loans at the Debt Office throughout the whole forecast period. Should the Riksbank amortise the loans, the budget balance will improve to a corresponding extent.

Sweden will also lend money to Iceland and Latvia. Iceland will borrow the equivalent of SEK 5 billion during 2009 and Latvia the equivalent of SEK 8 billion during 2010. The forecast for the loan to Iceland is SEK 2 billion lower than in June. This is due to the stronger krona and to the fact that there is now a concrete agreement with more detailed information. Payment of the loan has been delayed although we still expect it to be made this year.

On-lending is balanced by equally large claims on the borrower. This means that there will be no effect on central government debt including the Debt Office's financial assets, or central government net lending. However, the budget balance and the net borrowing requirement are affected as well as the official measure of central government debt. Interest payments on the debt are not affected as the borrowers will pay interest that corresponds to the Debt Office's costs.

The Debt Office's net lending to agencies, etc.

The Debt Office's net lending to agencies excluding on-lending is estimated at SEK 17 billion for 2009. The change compared with the previous forecast excluding on-lending is around SEK 20 billion. This is because we are no longer calculating any capital contribution to banks. For 2010, the Debt Office's net lending will be SEK 10 billion, which is SEK 1 billion more than in the previous forecast.

Tax cuts in 2010 but small changes otherwise

During the past four months, tax revenue has been SEK 3 billion lower than forecast. This is mainly explained by higher disbursements of excess tax. We now expect the level of disbursements to be higher than in our previous forecast. A large part of the excess tax is probably due to tax reductions for interest paid, which is explained by the relatively high level of interest rates over the whole year of 2008.

We are adjusting our forecast for tax revenue in 2010 downwards by SEK 12 billion. This is mainly explained by the tax cuts proposed in the Budget Bill, the largest item being the in-work tax credit.

In our previous forecast, we assumed that the weaker labour market with fewer hours worked would have an impact on gross wages during the latter half of 2009. The outcome in the past four months largely supports our assumption, although gross wages have been somewhat lower. One explanation is probably that a large part of the industry halted production during the summer months. We believe that the lower level was temporary and that gross wages will not decrease as much during the autumn. Nonetheless, we are making marginal downward adjustments of the growth rate of gross wages to an annual rate of 0.6 per cent in 2009 and 0.8 per cent in 2010. The drop in the number of hours worked decreases in 2010 and will stabilise in 2011, leading to a development of gross wages of 2.6 per cent per year during our final forecast year.

Companies' preliminary tax has developed as expected. In the June forecast, we assumed that the extra payments of corporate tax made during the spring of 2009 were due to higher-than-expected profits during 2008. The preliminary tax assessment outcomes for the 2008 income year now show that our assumption was correct.

Corporate profit levels fall in 2009 compared with 2008 to the same extent as before. Corporate profits increase again in 2010 and 2011 although from low levels. Corporate profits will not reach the level of 2008 until 2011. This is still considerably lower than the level for 2007.

Consumption-based taxes have developed overall approximately in accordance with our forecast. Input value-added tax has decreased concurrently with lower consumption, but at the same time output VAT has decreased to the same extent despite being smaller in volume. This is due to output VAT being affected to a great extent by lower investments and a drop in exports.

Increased payments for unemployment coming years

We estimate that unemployment will be 8.5 per cent in 2009, 10.7 per cent in 2010 and 11.0 per cent in 2011 as an annual average according to the new definition (16–64 years old including full-time students). In our assessment of how much unemployment affects public finances, the old definition, which excludes full-time students, is more relevant. Our forecast according to this definition is 6.5 per cent for 2009, 8.5 per cent for 2010 and 8.8 per cent for 2011.

Unemployment benefit disbursements have been slightly lower than our forecast. It seems as if the trend with fewer unemployed who receive unemployment benefit together with lower average benefit levels is persisting. Due to the low outcomes, we have reduced our forecast for the rest of 2009. However, we expect, just as before, that the number of unemployed will increase sharply during 2010 to stabilise at the higher level during 2011. Increasing unemployment in 2010 leads to disbursements of unemployment benefit increasing by almost SEK 7 billion compared with 2009.

The labour market policy programmes have not started to the extent that we expected in June. We are therefore reducing our annual forecast by SEK 3 billion. Additional measures are proposed in the Budget Bill for 2010. Disbursements for labour market programmes increase between the forecast years, although it will be difficult to reach the volumes on which the calculations in the Budget Bill are based. The effect of the weaker labour market on public finances depends on the extent to which these programmes get started. It will also affect the number who participate in various programmes and thus receive activity support from the Social Insurance Agency.

CHANGE IN ITEMS IN NET BORROWING REQUIREMENT

The table shows which parts of the net borrowing requirement that change most between 2007 and 2011. The table is based on the cash flow principle. Minus means that the net borrowing requirement decreases and plus that it increases.

SEK billion	2007	2008	2009	2010	2011
Taxes	−54	−50	78	−7	−38
Payments to local government	46	60	46	−30	−2
Sale of state assets	−18	−59	77	0	0
Dividends on the state's shares	−9	9	5	5	0
Labour market	−16	−5	1	11	1
Social Insurance Agency	0	18	3	5	4
EU contribution	0	5	−9	5	0
Forecast fiscal policy	0	0	0	0	20
Takeover of loan from Venantius	−4	0	0	0	0
Debt Office's net lending	−31	−21	141	−102	−11
Interest on central government debt	−3	−11	−3	−9	7
Miscellaneous	4	22	−25	7	−5
Total change from previous year	**−85**	**−32**	**314**	**−115**	**−24**

	2006	2007	2008	2009	2010	2011
Net borrowing requirement	−18	−103	−135	179	64	40

For example, "Taxes" in the column for 2008 means that taxes increased by SEK 50 billion compared with 2007. For 2009, they decrease instead by SEK 78 billion compared with 2008. Taxes, sales of state-owned assets, payments to municipalities and the Debt Office's net lending have the greatest effect between years.

This year, sales of state-owned assets decrease at the same time as there is a sharp increase in net lending by the Debt Office; see the sections on on-lending and the Debt Office's net lending. Moreover, there will be a large drop in tax revenues compared with 2008. Together, this explains the major part of the difference of SEK 314 billion between 2008 and 2009.

Next year, payments to municipalities decrease by SEK 30 billion after having increased by SEK 46 billion in 2009 and SEK 60 billion in 2008. (The effects are strengthened by payments being made in 2009 that relate to 2010). Furthermore, the Debt Office's net lending will not be as great as in 2009, which is, inter alia, due to lower on-lending. Taxes increase at a slow rate after having fallen sharply in 2009.

Taxes grow by SEK 38 billion in 2011 compared with 2010, which explains the reduction in the net borrowing requirement between these years. We also expect fiscal policy measures of SEK 20 billion.

Money provided to municipalities

Municipal tax revenue decreases between all forecast years. This is mainly due to large fluctuations in the final settlements for previous years. During 2009, for example, the municipalities had a positive final settlement because they received too little money in 2007. For 2010 and 2011, the final settlements are instead negative, i.e. the preliminary payments to the municipalities were too large in 2008 and 2009. Rising unemployment moreover leads to low growth of gross wages, which means a weak growth in the municipalities' tax base.

The municipalities were granted additional money both in the Spring Fiscal Policy Bill for 2009 and in the Budget Bill for 2010. The temporary cyclical support totals SEK 17 billion for next year, of which SEK 13 billion is to be paid out in 2009.

New fiscal policy measures in 2011

We expect that the Riksdag will decide on new expenditure increases and/or tax cuts in the range of SEK 20 billion during 2011.

Low interest payments despite rising central government debt

Interest payments on central government debt are estimated at SEK 31 billion in 2009, which is unchanged compared with the previous forecast. Next year, they decrease to SEK 22 billion. Exchange rate losses decrease from SEK 13 billion in 2009 to SEK 2 billion in 2010, which explains the difference between years. Compared with the previous forecast, interest payments will be SEK 2 billion lower. For 2011, interest payments are expected to amount to SEK 29 billion.

Budget balance compared with central government net lending

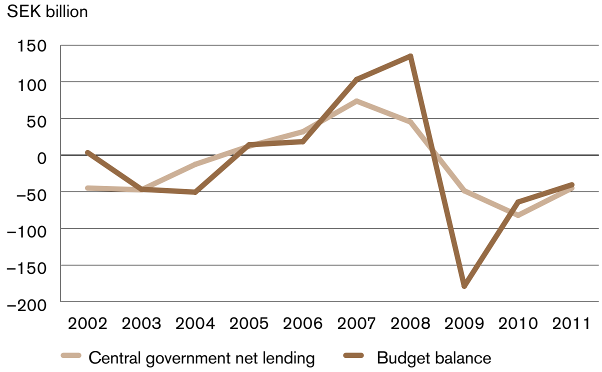
Central government net lending will amount to SEK −49 billion for 2009, SEK −82 billion in 2010 and SEK −45 billion for 2011. The differences between the net lending and the budget balance for 2008 and 2009 are considerable. This is due to the budget balance being on a cash-flow basis and including sales of state-owned assets and on-lending within the Debt Office's net lending to agencies. Sales of central government assets improved the budget balance by SEK 77 billion in 2008 while the Debt Office's net lending deteriorates the budget balance by SEK 116 billion in 2009 compared with central government net lending.

Central government net lending generally provides a better picture of the underlying public finances than the budget balance, which is affected by temporary payments. Central government net lending deteriorates in all years from 2007 to 2010, which will be the worst year for central government finances. Subsequently, the economic recovery will lead to an improvement in public finances. The state of the economy is worst during 2009 but since public finances are affected with a lag, central government net lending will deteriorate first in 2010 before improving.

Table 4. CENTRAL GOVERNMENT NET LENDING 2006-2011

SEK billion	2006	2007	2008	Forecast 2009	2010	2011
Budget balance	**18**	**103**	**135**	**−179**	**−64**	**−40**
Adjustment items	**13**	**−29**	**−90**	**130**	**−18**	**−5**
Sale of limited companies	0	−18	−77	0	0	0
Parts of Debt Office's net lending	22	2	−3	116	8	−1
Accrual of interest and taxes	6	18	−24	9	−11	−4
Other	−15	−31	14	6	−15	0
Central government net lending	**32**	**74**	**45**	**−49**	**−82**	**−45**
Per cent of GDP	**1.1**	**2.4**	**1.4**	**−1.6**	**−2.6**	**−1.4**

Figure 1. COMPARISON BETWEEN NET LENDING AND THE BUDGET BALANCE



Monthly forecasts

The Debt Office publishes annual forecasts three times a year. At the same time, monthly forecasts are presented for the coming nine months.

Table 5. NET CENTRAL GOVERNMENT BORROWING REQUIREMENT PER MONTH

SEK billion	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Primary borrowing requirement	12.6	−12.4	123.0	−17.1	−41.6	0.7	−6.9	−26.3	20.1
Interest on central government debt	1.7	−0.6	8.7	−0.9	−1.6	6.8	−4.4	4.6	−0.4
Net borrowing requirement *	**14.3**	**−13.0**	**131.7**	**−18.0**	**−43.2**	**7.5**	**−11.3**	**−21.7**	**19.8**

** The net borrowing requirement shows what the government needs to borrow to fund budget defoicits. When there is a surplus, the net borrowing requirement is negative.*

SENSITIVITY ANALYSIS AND CALCULATION ASSUMPTIONS

The Debt Office does not produce any overall sensitivity analysis for the net borrowing requirement. Instead, we produce a partial analysis of the effects that some important macro variables have on the borrowing requirement if they change. The table shows a rough estimate of these effects one year ahead. These effects must be added if it is wished to make an assessment of an alternative scenario where a number of variables develop differently.

SENSITIVITY ANALYSIS
SEK billion

Increase by one per cent/percentage point.	Effect on net borrowing requirement
Gross wages [1]	−5
Household consumption in current prices	−2
Unemployment old definition	5
Interest rate level in Sweden	4
International interest rate level	2
TCW index	0.5

[1] *Municipal taxes from employment are disbursed to municipalities with a one-year time lag. This means that the effect on the central government borrowing requirement in one year's time is bigger than the permanent effect.*

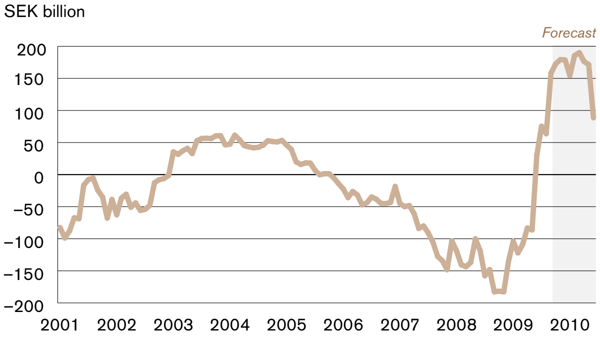
THE DEBT OFFICE'S CALCULATION ASSUMPTIONS

Per cent	2009	2010	2011
Gross wages [1]	0.6	0.8	2.6
Household consumption [1]	1.7	2.6	3.0
Investments [1]	−15.0	−4.6	4.6
Exports [1]	−12.5	2.8	3.9
Unemployment new definition	8.5	10.7	11.0
Unemployment old definition	6.5	8.5	8.8

[1] *Annual percentage changes, current prices.*

Variations from month to month are largely explained by variations in tax revenue, tax refunds and repo transactions by agencies. Repo transactions by agencies increase the borrowing requirement by SEK 19 billion in December and reduce it by SEK 19 billion in January. Central government borrowing requirement, 2001–2011, 12-month rates

Figure 2. CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 12-MONTH FIGURES



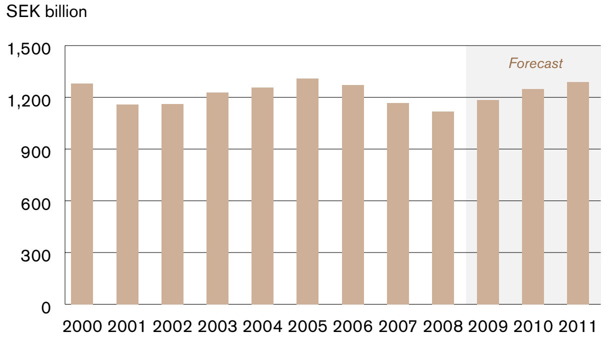
Central government debt increases

Central government debt will be SEK 1,185 billion at the end of 2009. It rises to SEK 1,249 billion and SEK 1,289 billion at the end of 2010 and 2011 respectively. This corresponds to 38 per cent of GDP for 2009, 39 percent for 2010 and 40 per cent for 2011.

Compared with 2008, central government debt will increase by SEK 66 billion this year. The fact that the increase is smaller than the budget deficit is due to a reduction in the Debt Office's short-term investments during the year. We have assumed that the short-term investments, which amounted to SEK 66 billion at year-end, will be zero at the end of 2009. Another explanation is that the debt adjustments lead to a reduction in central government debt. Of the debt adjustments of SEK −47 billion, SEK −36 billion is for strengthening of the krona exchange rate, see table 1.

We estimate the central government debt including the Debt Office's financial assets at SEK 1,083 billion at the end of 2009 and SEK 1,139 and SEK 1,179 billion at the end of 2010 and 2011. This is equivalent to 35 per cent of GDP in 2009 and 36 per cent in 2010 and 2011, respectively.

Figure 3. CENTRAL GOVERNMENT DEBT 2000–2011



Unchanged funding in government bonds

Funding in nominal government bonds remains at SEK 3 billion per auction in 2010 and 2011. We reduce funding in T-bills slightly compared with our previous forecast for 2009 but increase it instead in 2010. Funding in foreign currency bonds will be SEK 123 billion in 2009. We have borrowed large volumes in foreign currency for on-lending, in particular to the Riksbank. Funding in inflation-linked bonds is increasing in line with our previous forecast to SEK 10 billion next year and will remain at this level in 2011 as well.

Central government borrowing in 2009 will be slightly lower compared with the previous forecast. The funding requirement is nonetheless extensive this year, mainly due to on-lending and large bond maturities. On-lending has led to a considerable increase in funding in foreign currency compared with previous years. The funding requirement will decrease sharply in 2010 from 2009.

The issue volume of nominal bonds remains at SEK 3 billion per auction in 2010 and 2011. We reduced the issue volume at the beginning of the autumn in accordance with the June forecast. This was possible as we had issued a large 30-year bond loan and increased bond funding in foreign currency in the spring.

Foreign currency funding will be extensive in 2009. We have carried out on-lending corresponding to SEK 97 billion in foreign currency to the Riksbank to restore the currency reserve. The on-lending to the Riksbank is balanced by a claim on the bank and does not therefore affect the share of foreign currency debt. The central government debt including the Debt Office's financial assets is not affected either.

Funding in T-bills in 2009 will be SEK 19 billion lower than in the previous forecast. It increases instead in 2010.

In accordance with the previous forecast, inflation-linked funding will increase to SEK 10 billion in 2010. It remains at the same volume in 2011.

Reduced funding requirement in 2009

The central government funding requirement will be SEK 221 billion this year. This entails a reduction compared with the previous forecast of SEK 19 billion.[1] On-lending totals SEK 102 billion in 2009.

In 2010, the funding requirement will be SEK 139 billion, which is SEK 3 billion higher than in the previous forecast. We expect on-lending of SEK 19 billion in 2010, partly due to a loan to Latvia and partly due to refinancing of previous on-lending to the Riksbank.

Table 1 shows the funding requirement and long-term funding allocated to different instruments.[2]

Table 1. FUNDING 2008–2011

SEK billion	2008	2009	2010	2011
Net borrowing requirement	−135	179	64	40
Change in cash equivalent holdings and retail market borrowing [a]	57	−139	22	−54
Maturing bond loans and buybacks	96	181	53	121
Of which				
Government bonds	*68*	*122*	*17*	*60*
Foreign currency bonds	*28*	*59*	*36*	*60*
Funding requirement	**18**	**221**	**139**	**107**
T-bill funding, net [b]	−32	−15	41	−38
Bond funding, gross [c]	50	236	98	144
Of which				
Nominal government bonds	*47*	*110*	*63*	*63*
Inflation-linked bonds	*3*	*3*	*10*	*10*
Foreign currency bonds, on-lending [d]	*0*	*78*	*19*	*46*
Foreign currency bonds excl. on-lending	*0*	*45*	*6*	*25*
Funding	**18**	**221**	**139**	**107**

[a] *Change in outstanding deposits, liquidity bills, repos and commercial paper. Retail market borrowing is assumed to be unchanged from 30 September 2009.*

[b] *The net of issues (excluding exchanges) and maturities.*

[c] *Nominal amounts. Premiums and discounts (including inflation compensation) and exchange rate differences on issues are included in the net borrowing requirement as interest payments.*

[d] *Including re-funding of previous on-lending.*

[1] *In the June forecast, we reported a funding requirement of SEK 321 billion. Accordingly, the amount in this forecast is SEK 100 billion lower. The largest part of the change is, however, due to technical calculation-related reasons because we now count the SEK 52 billion in extra T-bills issued, which was outstanding at the year-end. We have also moved on-lending in commercial paper on behalf of the Riksbank from foreign currency bonds to short-term funding (change in cash equivalent holdings). In terms of funding, this means a reduction of SEK 19 billion compared with the previous forecast.*

[2] *The forecast for central government borrowing refers to long-term gross funding. It consists of net borrowing that covers budget deficits by calendar year, refinancing of maturing bonds and long-term borrowing in T-bills (long-term change in the outstanding T-bill stock). For the sake of simplicity, we will use the terms funding and funding requirement below only with reference to long-term gross funding. At the same time, there are current maturities and refinancing of, for example, T-bills, which are not touched upon in this forecast.*

Table 2. IMPORTANT EVENTS IN 2010

Date	Time	Activity
February/March		Central Government Borrowing – Forecast and Analysis 2010:1
18 March	11.00	Exchanges from 3105 to 3102 and 3104
22-23 March	11.00	Buyback of limited part of loan 1045
June		Central Government Borrowing – Forecast and Analysis 2010:2
7 October	11.00	Exchanges from 3105 to 3102 and 3104
October/November		Central Government Borrowing – Forecast and Analysis 2010:3

Unchanged funding in nominal government bonds

Funding in nominal government bonds remains at SEK 110 billion in 2009 as a whole. During 2010 and 2011, it will be SEK 63 billion per year, with a maintained issue volume of SEK 3 billion per auction.

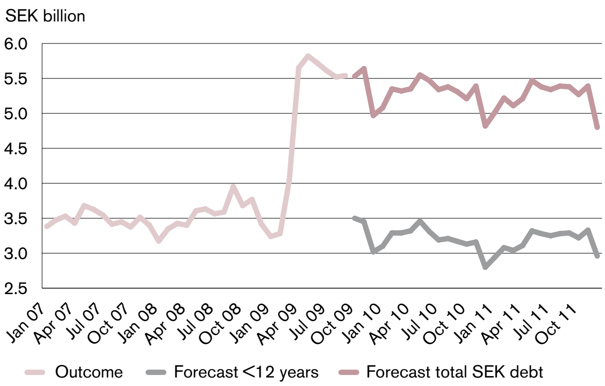
Table 3 shows the changes in stocks and exposure in bond rates adjusted by swaps. Swaps mean that we shorten the interest rate refixing period. Swaps are discussed in more detail in the section on T-bills and foreign currency funding.

Table 3. CHANGE IN OUTSTANDING NOMINAL GOVERNMENT BONDS, INCLUDING SWAPS

SEK billion	2008	2009	2010	2011
Nominal government bonds, issues	47	110	63	63
Maturities, buybacks and exchanges	−51	−114	−11	−57
Change in nominal government bond stock	−4	−5	52	6
Swaps, net [1]	−5	−14	2	36
Nominal government bonds and swaps, net change	−9	−19	54	42

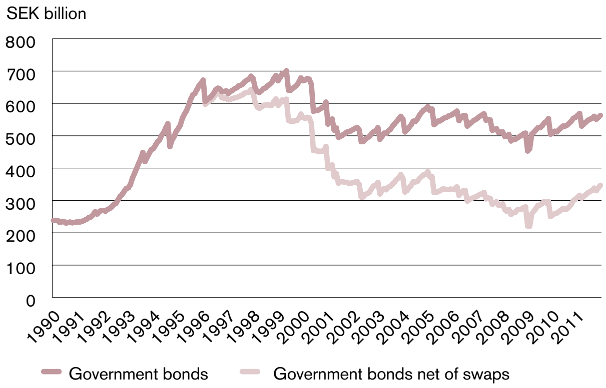
[1] *Net of newly-issued and maturing swaps.*

Figure 1. FORECAST FOR THE INTEREST RATE REFIXING PERIOD OF THE NOMINAL KRONA DEBT, 2009–2011



The Debt Office has proposed to the Government a new maturity benchmark for the nominal krona debt where the benchmark only applies to maturities of up to 12 years. A volume limitation of SEK 60 billion has instead been set for longer maturities. The intention of the proposal is that we should not have to undertake maturity adjustments due to our issuing 30-year bonds of a value of SEK 38 billion during the spring. The analysis in connection with this forecast indicates that the maturity in terms of interest-rate refixing period should be 3.2 years in such cases for the nominal krona debt with a maturity of up to 12 years. [3]

Figure 2. GOVERNMENT BONDS AND SWAPS



Priority given to long bonds

We normally issue bonds with two-, five- and ten-year maturities to support liquidity in the most traded bonds. Priority will be given to bonds with a ten-year maturity: slightly over half of the issues will be made in this maturity. We will also sporadically issue bonds in other maturities, including the new 30-year bond.

We are introducing a new ten-year bond in 2011. Before this, the outstanding loan 1047, which matures in December 2020, will become a new ten-year reference loan in December 2009. See Figure 3 and Table 4 for outstanding reference loans and exchanges of these.

THE DEBT OFFICE'S ISSUES

A week before every auction, we notify which bond or T-bill will be issued. In the case of T-bills, we also notify the volume. This decision is based on an internal issuance plan based on our most recently published forecast of the funding requirement. Dealers and investors are given an opportunity to present their views before auction decisions. These views are of considerable value since we obtain an overall picture of market demand. However, it is never possible for any single participant to influence our decisions.

Normally, we follow our established issuance plan. However, should we receive clear indications that we should deviate from the plan, we are able to do so.

[3] *In the Proposed Guidelines on Central Government Debt Management, which we presented to the Government in September, we stated that 3.0 years would be a suitable benchmark. A more careful analysis of the maturity steering has shown that 3.0 years would be slightly too short to correspond to an unchanged direction of funding.*

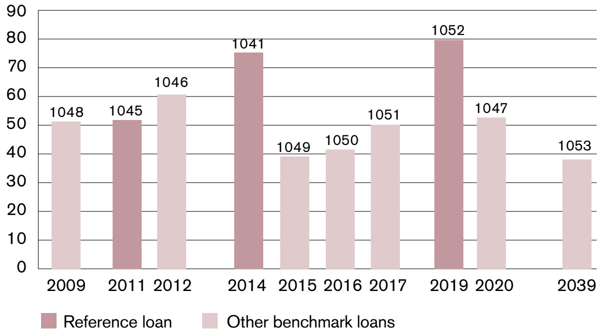
Table 4. REFERENCE LOANS IN THE ELECTRONIC INTERBANK MARKET

Date for exchanges of reference loans (IMM date)	2-year	5-year	10-year
16 Dec 2009	1046	1049	1047
15 Dec 2010		1050	

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

Figure 3. OUTSTANDING NOMINAL GOVERNMENT BONDS (BENCHMARK LOANS) ON 30 SEPTEMBER 2009

SEK billion



Some reduction of T-bills

Now that the borrowing requirement is decreasing compared with the former forecast, we are reducing borrowing in T-bills by SEK 19 billion during 2009. However, T-bill funding increases by SEK 16 billion in 2010 compared with the June forecast. In 2011, we expect a reduction of the T-bill stock of SEK 38 billion. The stock will fluctuate around SEK 125 billion throughout the period.

On average, we issue T-bills for SEK 20 billion per auction during 2009, and SEK 15 billion in 2010 and 2011. The volume will vary since the short-term borrowing requirement changes from month to month. As a rule, we have a large short-term borrowing requirement in December. At the end of 2009, we expect the T-bill stock to increase to SEK 125 billion. It will then fall towards SEK 100 billion to rise to SEK 165 billion at the end of 2010. The stock will be SEK 130 billion at the end of 2011.

The auction dates can be found in the section on market information.

Table 5. CHANGE IN OUTSTANDING T-BILLS, NET INCLUDING SWAPS

SEK billion	2008	2009	2010	2011
T-bill borrowing, net [1]	−32	−15	41	−38
Interest swaps, net	22	−17	7	−15
T-bill stock and swaps, net change	**−10**	**−32**	**48**	**−53**

[1] *Net of issues (excluding changes) and maturities.*

T-BILL POLICY

Every third month, we issue a new six-month bill, maturing on an IMM date (the third Wednesday in March, June, September and December). In each of the other months, we introduce a new three-month bill.

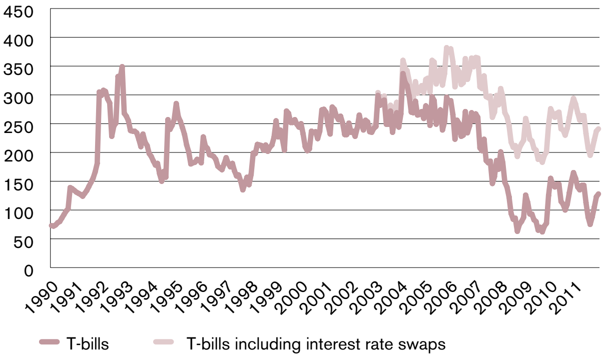
Accordingly, on every occasion, there are four outstanding maturities of up to six months. There is also, as a rule, a bond with a shorter maturity than twelve months in the market.

Normally, we borrow the whole issued amount in the new T-bill that we introduce in the auction. Otherwise, the allocation between T-bills is governed by the funding requirement. If we need to issue T-bills in the shortest maturities, we normally do so on tap.

We also have on tap issues in T-bills with tailor-made maturities (liquidity bills) and in the two shortest maturities within the framework of our liquidity management.

Figure 4. T-BILLS AND INTEREST RATE SWAPS

SEK billion



Increased swap funding in 2010

The swap volume increased marginally from SEK 50 billion to SEK 55 billion in 2009 compared with the June forecast. For 2010, we expect there to be a larger volume of new interest swaps in the krona funding, SEK 30 billion. The total swap volume depends on market conditions and the maturity benchmark.

The outstanding stock of swaps increases during 2009 to be almost unchanged in 2010 but to decrease in 2011, see table 6. The development of the swap stock depends on the relationship between newly-entered into and maturing swaps. Swaps are made relatively evenly distributed over the year although with commercial flexibility both as regards date and maturity. We may deviate from the forecast if the borrowing requirement changes during the year.

Table 6. CHANGE IN OUTSTANDING STOCKS

SEK billion	2008	2009	2010	2011
Interest swaps [1]	31	5	30	3
Foreign currency swaps [2]	5	50	0	3
Swaps total	**36**	**55**	**30**	**5**
Swaps, maturities	−31	−41	−32	−41
Swaps, net change	**5**	**14**	**−2**	**−36**

[1] *Interest swaps from long to short interest rate exposure in kronor.*

[2] *Interest swaps from long to short interest rate exposure combined with foreign currency swaps to foreign currency.*

SWAPS

We can create short interest rate exposure by issuing bonds and then using interest rate swaps to shorten the interest rate refixing period. This technique also makes it possible to contribute to liquidity in the bond market without increasing the aggregate maturity of the debt. Provided that the spread between the swap rate and the government bond rate is sufficiently large, this borrowing technique reduces the borrowing costs. Good liquidity in the bond market should also contribute to reducing borrowing costs in the long term.

We also use interest rate swaps as part of our foreign currency borrowing. We then combine an interest rate swap with a currency swap so that the exposure in kronor is replaced by exposure in foreign currency.

Inflation-linked funding on its way back

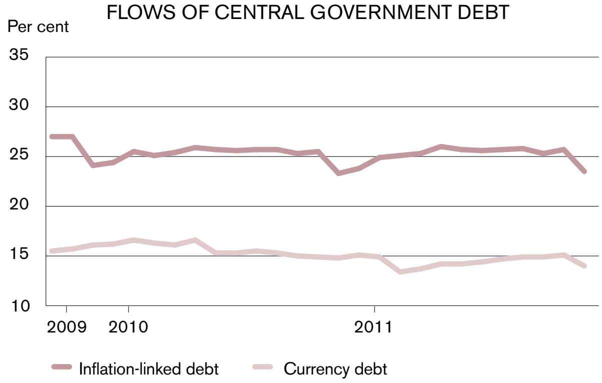
The annual issue volume is being increased from SEK 3 billion to SEK 10 billion from the year-end. We also increase the number of auctions from six to ten per year in 2010 and 2011.

As shown in figure 5, the inflation-linked debt will average 25 per cent in 2010 and 2011. The forecasts from last year indicated shares of over 30 per cent due to falling central government debt. Now that central government debt is increasing and the share is in line with the benchmark, we can again make use of funding in inflation-linked bonds.

The maturity of the inflation-linked debt shall be 10.1 years at the end of 2009 according to the current guidelines. According to the Proposed Guidelines for 2010, the maturity should be 9.6 years at the end of 2010. On 30 September, the maturity was 10.1 years.

During 2009 and 2010 issues will be distributed approximately evenly among loans 3106, 3105, 3102 and 3104.

Figure 5. THE SHARE OF INFLATION-LINKED AND FOREIGN CURRENCY DEBT OF THE AGGREGATE CASH FLOWS OF CENTRAL GOVERNMENT DEBT



The benchmarks for how central government debt is to be allocated between the different types of debt is stated in terms of all future cash flows (nominal debt plus coupons and expected inflation compensation). This can also be expressed as the market value of the debt calculated with zero interest rates and expected inflation compensation. We call this measure the aggregate cash flows of central government debt. The debt shares here differ from those reported in the Market Information section, where the debt is valued at its nominal value at maturity.

The choice of bond for each particular auction will mainly comply with an internal issuance plan decided in advance.

During 2010, we expect to exchange a total of SEK 10 billion of 3105 for longer inflation-linked bonds. The exchange volume will subsequently be reduced to SEK 5 billion per year until 2013. However, we will allow at least SEK 25 billion of 3105 to mature. We will cease to issue in 3106 after 2010. We will not offer any exchanges or buy-backs in connection with loan 3106 maturing.

Substantial funding in foreign currency bonds

Bond funding in foreign curency is increasing sharply this year compared with previous years due to on-lending to the Riksbank and Iceland. In all, funding will amount to SEK 123 billion in 2009, see table 7. Since we have already issued this volume, we do not plan to issue any more foreign currency bonds this year. However, it is possible that some of the commercial paper that we have transferred to the Riksbank as on-lending will be replaced by bond loans at the end of the year.

During the first six months, we raised three bond loans on the euro market totalling USD 6 billion. We have also taken up two bond loans in euro, one of which in April for EUR 4 billion and one in September of EUR 3 billion.

We have lent the equivalent of SEK 73 billion of these loans to the Riksbank. In addition, we have raised the equivalent of SEK 24 billion in commercial paper on behalf of the Riksbank. On-lending to the Riksbank has now been concluded besides possible exchange of commercial paper for bonds.

Table 7. FOREIGN CURRENCY FUNDING[1] 2008–2011

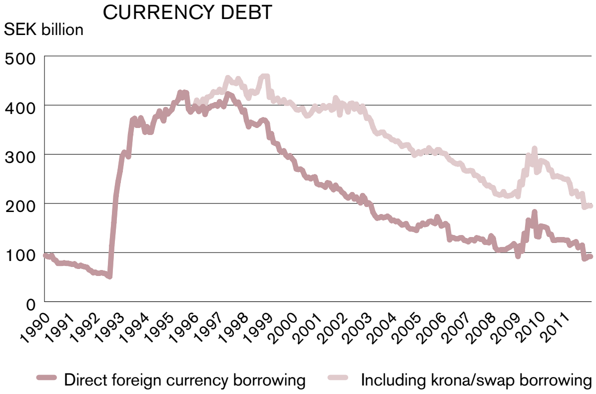
SEK billion	2008	2009	2010	2011
Foreign currency bonds, funding	0	123	25	71
Of which				
On-lending [2]	0	78	19	46
Excluding on-lending	0	45	6	25
Maturities, bonds	−28	−59	−36	−60
Change of bonds in foreign currency	**−28**	**64**	**−11**	**11**
Short-term funding, including forwards, net	−1	0	0	0
Change in foreign currency debt	**−29**	**64**	**−11**	**11**
Currency swaps, net	−17	31	−9	−21
Change in foreign currency debt, including swaps, net	**−46**	**95**	**−20**	**−10**

[1] *Nominal values.*
[2] *Including re-funding of previous on-lending.*

Next year, bond funding in foreign currency will be SEK 25 billion. This increases to SEK 71 billion in 2011.

We are making a technical assumption for calculation purposes in the forecast foreign currency funding in 2010 and 2011 that the bonds issued for on-lending to the Riksbank will be refinanced. A decision on this will be based on the Riksbank's need to maintain the size of the currency reserve. SEK 11 billion of the Riksbank's loan will mature during 2010. Moreover, there will also be bond loans for SEK 8 billion, which will be provided to Latvia as on-lending and SEK 6 billion for regular funding of deficits and maturities.

Figure 6. THE DEVELOPMENT OF THE FOREIGN CURRENCY DEBT



Swaps in foreign currency funding

Part of the foreign currency funding will be made by swapping bonds in kronor for exposure in foreign currency; see the Box for details of how this takes place. We will borrow in foreign currency by foreign currency swaps for SEK 50 billion in 2009. However, we will not make any currency swaps in 2010 and only SEK 3 billion in 2011.

Total foreign currency funding with foreign currency bonds, commercial paper and swapped government bonds in kronor will be SEK 173 billion during 2009 and SEK 25 billion in 2010.

Position for a stronger krona

During the first quarter of 2009, the Debt Office built up a position for a stronger krona in relation to the euro of SEK 15 billion. After a government decision on changed guidelines, the position will gradually be built up to SEK 50 billion. At present, the position is around SEK 38 billion.

The currency exposure created within the framework of the position for a stronger krona is not included in the calculations of the size of the foreign currency share, which should be 15 per cent. Otherwise, it would not be a matter of a position.

The position against the euro is strategic. This means that we can sustainably retain it. A future closing of the position will take place over a long period.

FOREIGN CURRENCY FUNDING

There are two ways of borrowing in foreign currency. We can either issue bonds in foreign currency or we can swap krona bonds to exposure in foreign currency.

How we allocate between direct foreign currency funding and krona/swap funding depends on the interest rate terms we obtain.

Foreign currency funding in the form of krona/swap transactions means that the interest rate on government bonds in kronor is replaced by a short interest rate exposure in foreign currency, at the same time as the amount borrowed is exchanged to foreign currency.

In a krona/swap transaction, we first borrow in the Swedish bond market. We then make a swap in which we receive a fixed swap rate that is higher than the bond rate. At the same time, we pay a floating rate in foreign currency. Now we no longer have any exposure in the bond rate. This transaction is a combined interest rate and currency swap (base swap).

Within the framework of the swap, we then exchange the kronor we have received into foreign currency with our counterparty. The result is that we have issued a bond loan in kronor but receive the amount and pay variable interest in foreign currency.

When the swap matures, we exchange the amount borrowed with our swap counterparty. By agreement, this is to be done at the same rate as in the initial currency exchange. We can then pay the maturing bond with the krona amount. To be able to exchange the amount back to kronor, we must first purchase the foreign currency. This creates a currency exposure since we do not know the future exchange rate when we make the swap.

Borrowing through currency swaps accordingly provides the same currency exposure as if we had issued a bond directly in foreign currency.

Market information

Source: Swedish National Debt Office, unless otherwise stated

SWEDISH GOVERNMENT DEBT

NOMINAL GOVERNMENT BONDS, OUTSTANDING VOLUMES, 30 SEP 2009

Maturity date	Coupon %	Loan no.	SEK million
2009-12-01	4.00	1048	51,251
2011-03-15	5.25	1045	51,858
2012-10-08	5.50	1046	60,725
2014-05-05	6.75	1041	75,251
2015-08-12	4.50	1049	38,991
2016-07-12	3.00	1050	41,489
2017-08-12	3.75	1051	50,026
2019-03-12	4.25	1052	79,703
2020-12-01	5.00	1047	52,701
2039-03-30	3.50	1053	38,075
Total benchmarks			540,071
Non benchmarks			950
Total government bonds			541,021

NOMINAL GOVERNMENT BONDS, AUCTION DATES

Announcement date	Auction date	Settlement date
2009-10-21	2009-10-28	2009-11-02
2009-11-04	2009-11-11	2009-11-16
2009-11-18	2009-11-25	2009-11-30
2009-12-02	2009-12-09	2009-12-14
2010-01-05	2010-01-13	2010-01-18
2010-01-20	2010-01-27	2010-02-01
2010-02-03	2010-02-10	2010-02-15
2010-02-17	2010-02-24	2010-03-01
2010-03-03	2010-03-10	2010-03-15
2010-03-15	2010-03-22	2010-03-25
2010-03-16	2010-03-23	2010-03-26
2010-03-17	2010-03-24	2010-03-29
2010-03-31	2010-04-07	2010-04-12
2010-04-14	2010-04-21	2010-04-26
2010-04-28	2010-05-05	2010-05-10
2010-05-12	2010-05-19	2010-05-25
2010-05-26	2010-06-02	2010-06-07
2010-06-09	2010-06-16	2010-06-21

T-BILLS, OUTSTANDING VOLUMES, 30 SEP 2009

Maturity date	SEK million
2009-10-21	9,997
2009-11-18	14,994
2009-12-16	22,496
2010-03-17	14,998
Total T-Bills	62,485

T-BILLS, AUCTION DATES

Announcement date	Auction date	Settlement date
2009-10-28	2009-11-04	2009-11-06
2009-11-11	2009-11-18	2009-11-20
2009-11-25	2009-12-02	2009-12-04
2009-12-09	2009-12-16	2009-12-18
2009-12-30	2010-01-07	2010-01-10
2010-01-13	2010-01-20	2010-01-22
2010-01-27	2010-02-03	2010-02-05
2010-02-10	2010-02-17	2010-02-19
2010-02-24	2010-03-03	2010-03-05
2010-03-10	2010-03-17	2010-03-19
2010-03-24	2010-03-31	2010-04-06
2010-04-07	2010-04-14	2010-04-16
2010-04-21	2010-04-28	2010-04-30
2010-05-04	2010-05-11	2010-05-14
2010-05-19	2010-05-26	2010-05-28
2010-06-02	2010-06-09	2010-06-11
2010-06-16	2010-06-23	2010-06-28
2010-06-23	2010-06-30	2010-07-05

INFLATION-LINKED BONDS, OUTSTANDING VOLUMES, 30 SEP 2009

Maturity date	Coupon %	Loan no.	SEK million
2012-04-01	1.00	3106	26,317
2014-04-01	0.00	3001	4,899
2015-12-01	3.50	3105	60,168
2020-12-01	4.00	3102	52,540
2028-12-01	3.50	3103	4
2028-12-01	3.50	3104	51,661
Total inflation-linked bonds			195,589

INFLATION-LINKED BONDS, AUCTION DATES

Announcement date	Auction date	Settlement date
2009-11-12	2009-11-19	2009-11-24
2010-01-28	2010-02-04	2010-02-09
2010-02-11	2010-02-18	2010-02-23
2010-03-11	2010-03-18*	2010-03-23
2010-04-08	2010-04-15	2010-04-20
2010-05-20	2010-05-27	2010-06-01
2010-06-03	2010-06-10	2010-06-15

** Exchange auction*

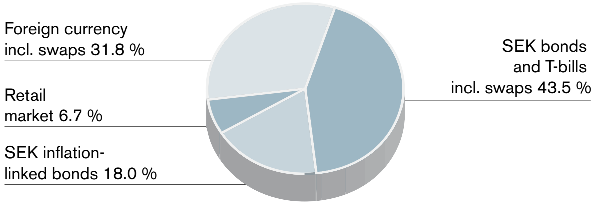
RATING

	Debt in SEK	Foreign currency debt
Moody's	Aaa	Aaa
Standard & Poor's	AAA	AAA

DEBT STRUCTURE

Total debt SEK 1,089 billion

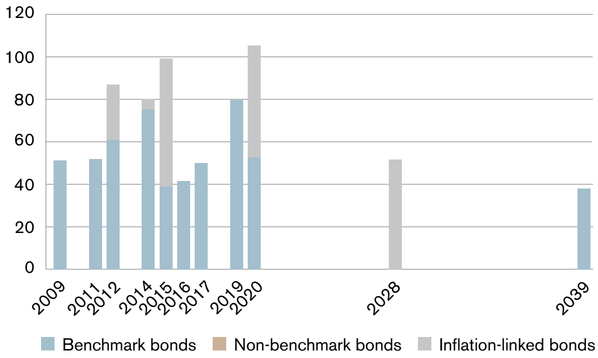
30 September 2009



MATURITY PROFILE, SEK NOMINAL AND INFLATION-LINKED BONDS

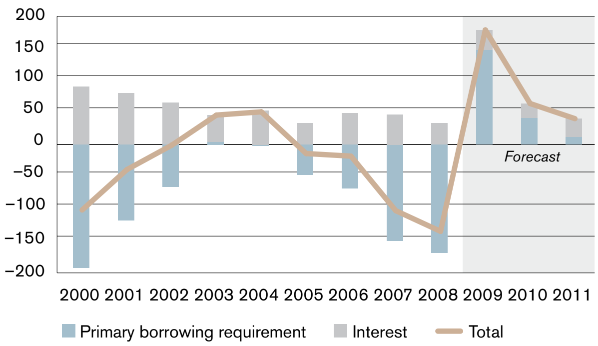
SEK billion

30 September 2009



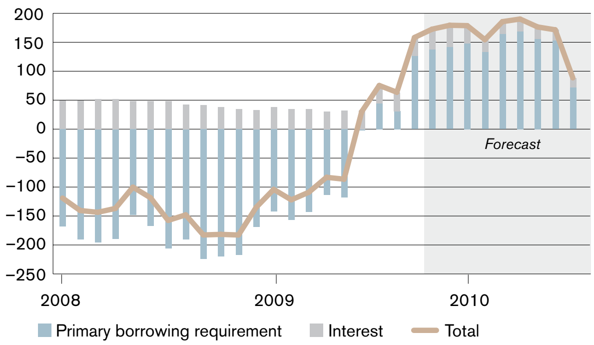
CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 2000–2011

SEK billion

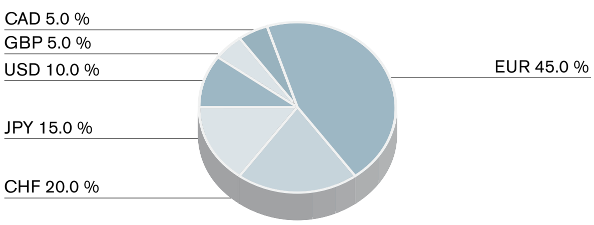


CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 12 MONTHS

SEK billion

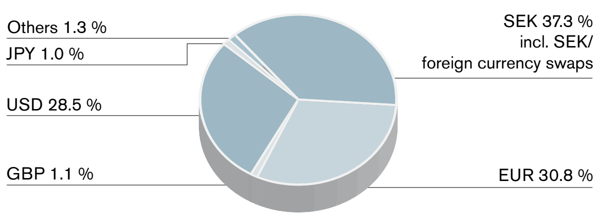


BENCHMARK FOR THE FOREIGN CURRENCY DEBT COMPOSITION



FUNDING IN FOREIGN CURRENCIES

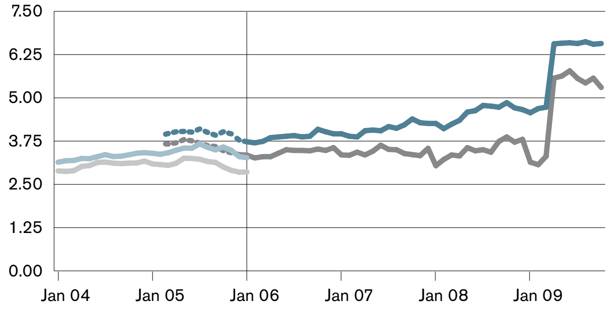
30 September 2009



SWEDISH GOVERNMENT DEBT

INTEREST-RATE REFIXING PERIOD (IRP) AND DURATION OF SEK NOMINAL DEBT

Years — 30 September 2009

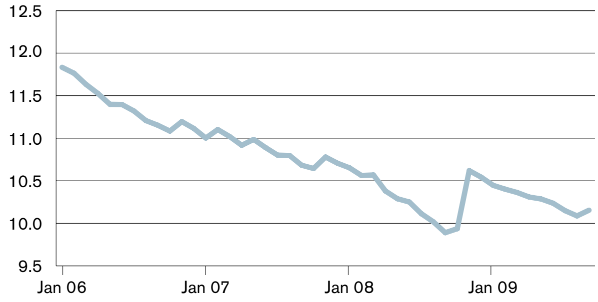


Government bonds and T-bills, duration
Government bonds and T-bills, IRP
Nominal debt, SEK, duration
Nominal debt, SEK, IRP

On 1 January 2006 the measure of maturity was changed from duration to interest-rate refixing period (IRP).

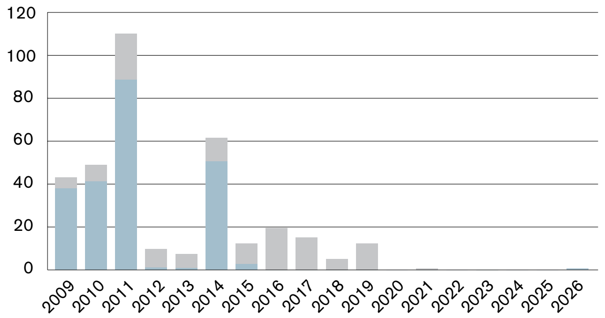
INTEREST-RATE REFIXING PERIOD (IRP) OF INFLATION-LINKED DEBT

Years



MATURITY PROFILE, FOREIGN CURRENCY LOANS EXCLUDING CALLABLE BONDS

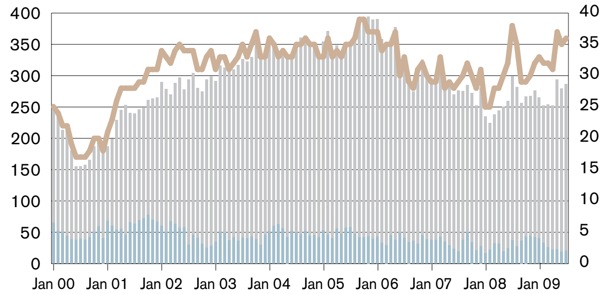
SEK billion — 30 September 2009



Loans
SEK/foreign currency swaps

FOREIGN OWNERSHIP OF GOVERNMENT BONDS AND T-BILLS INCLUDING REPO POSITIONS

SEK billion — Per cent

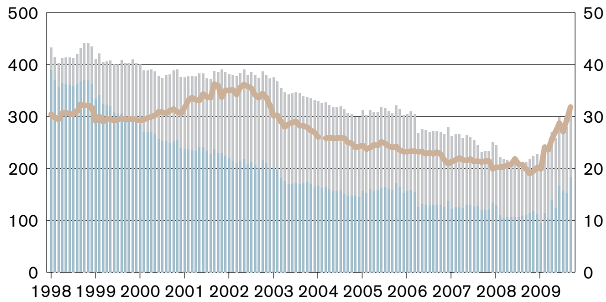


Foreign ownership, T-bills
Foreign ownership, government bonds (nominal and inflation-linked)
Per cent of foreign ownership, government bonds and T-bills outstanding

Source: The Riksbank

CENTRAL GOVERNMENT DEBT EXPOSURE IN FOREIGN CURRENCIES

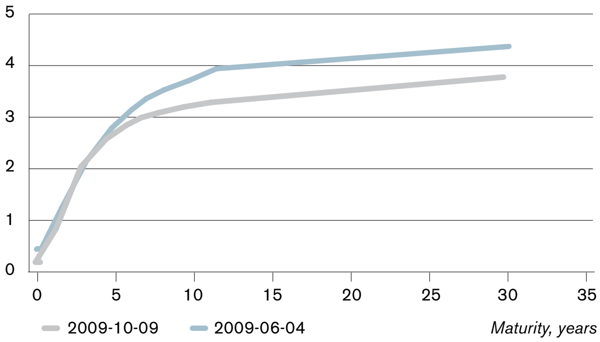
SEK billion — Per cent



Loans in foreign currencies
Per cent of total debt
Currency swaps

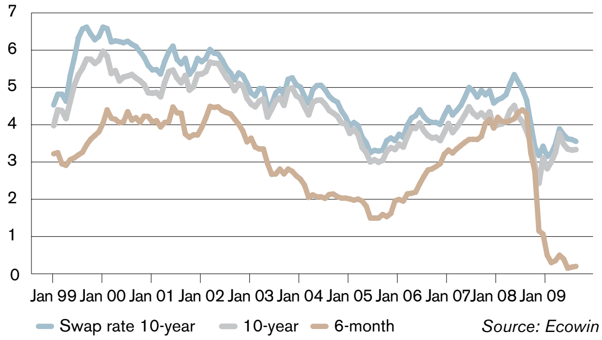
YIELD CURVE, SWEDISH GOVERNMENT SECURITIES

Per cent



HISTORICAL INTEREST RATES

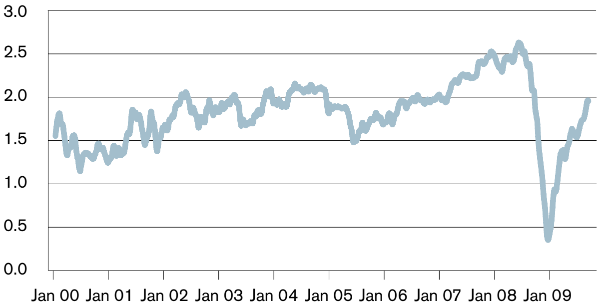
Per cent 30 September 2009



Source: Ecowin

BREAK-EVEN INFLATION

Per cent 30 September 2009

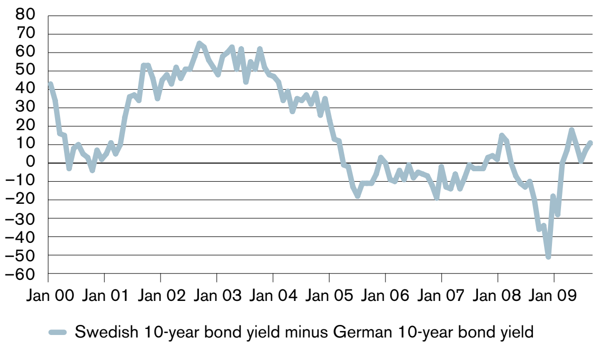


1041 - 3105 (2000-01-01 to 2004-12-31)
1049 - 3105 (2005-01-01 and forward)

Source: Ecowin

INTEREST RATE SPREAD VS GERMANY, 10-YEAR

Basis points

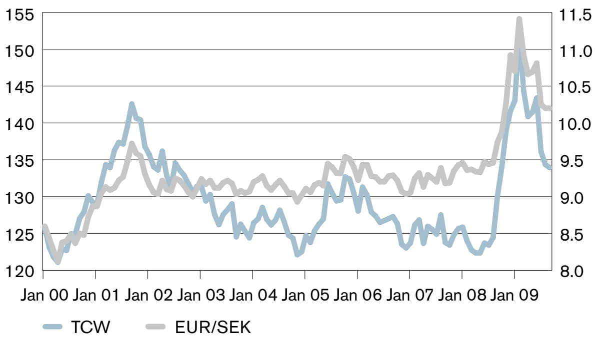


Source: Ecowin

HISTORICAL EXCHANGE RATES

30 september 2009

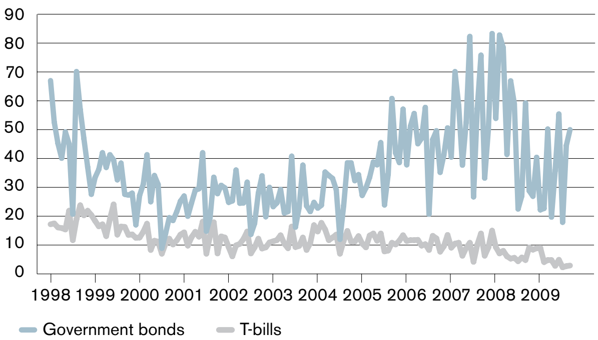
TCW – Trade-weighted index EUR/SEK



Source: Ecowin

DAILY TURNOVER, SWEDISH GOVERNMENT SECURITIES

Total turnover including options and forward contracts, SEK billion



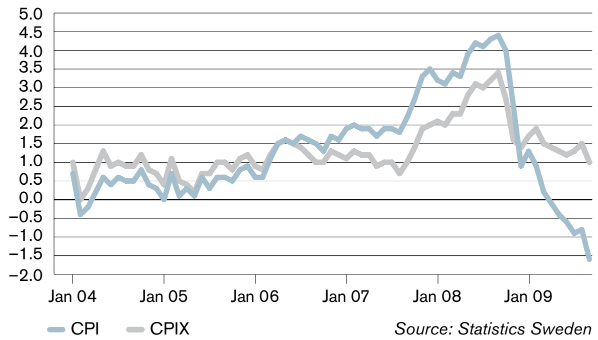
Source: The Riksbank

FINANCIAL MARKET

SWEDISH ECONOMY

INFLATION: CPIX AND CPI IN SWEDEN

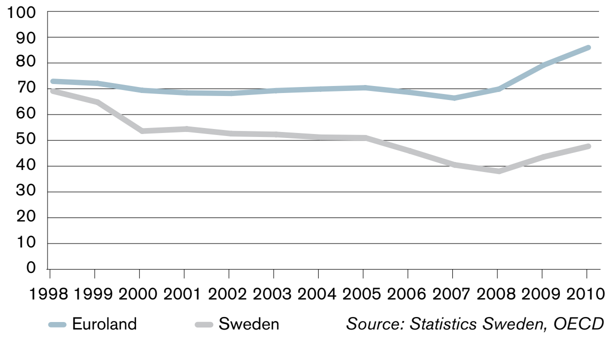
Per cent



Source: Statistics Sweden

GENERAL GOVERNMENT DEBT IN RELATION TO GDP

Per cent



Source: Statistics Sweden, OECD

PRIMARY DEALERS

Primary dealers	Nominella government bonds	Inflation-linked government bonds	T-bills	Telephone	Reuter page
Royal Bank of Scotland	●		●	+46 8 506 198 76	
Barclays Capital	●			+44 207 773 8275	
Danske Markets/Consensus	●	●	●	+46 8 568 808 44	PMCO
Nordea	●	●	●	+45 33 33 17 58 / +46 8 614 86 55	PMUB
SEB	●	●	●	+46 8 506 231 51	PMSE
Handelsbanken Markets	●	●	●	+46 8 463 46 50	PMHD
Swedbank	●	●	●	+46 8 700 99 00	PMBF

Glossary

Benchmark bond ▶ Bonds in which the Debt Office has undertaken to maintain liquidity. Normally have an outstanding volume of at least SEK 20 billion.

Bond ▶ Current (transferable) debt instrument that provides one or more payments of agreed amounts. The agreed amounts can be fixed in kronor or depend on some factor, for instance, inflation; see *inflation-linked bond*. Certain bonds have a number of payments in the form of recurrent interest payments and are then referred to as coupon bonds. A bond without interest payments is called a zero coupon bond. See also *T-bill*.

Bond market ▶ The market for securities with times to maturity longer than a year. Nominal and inflation-linked government bonds are traded in the bond market.

Break even-inflation ▶ The difference between the nominal and inflation-linked interest rate at the time of issue of an inflation-linked loan. It states how high inflation must be on average for the cost of an inflation-linked and a nominal loan to be of equal size. If inflation is higher than break-even inflation, the inflation-linked loan will be more expensive for the state and vice versa.

Coupon bond ▶ A bond with an annual interest payment.

Credit market ▶ The market for borrowed capital. An umbrella term for the bond and money market.

Derivative instrument ▶ Financial asset, whose value depends on the value of another asset. The most common derivative instruments are options, futures and swaps.

Duration ▶ Measure of the remaining maturity of a bond taking into consideration both the time to maturity and the coupon rate. A shorter maturity and a higher coupon rate will give a lower duration. Duration can also be viewed as a risk measure, which measures how much the market value of an interest security is affected by changes in the market interest rate.

Fixed-income market ▶ Instruments are traded here that provide a predetermined yield (interest). The fixed-income market consists of the bond and money markets.

Forward (forward contract) ▶ Agreement on purchase and sale at a specified price at a specified time in the future.

Government bond ▶ An umbrella term for the bonds issued by the Debt Office on the bond market. Includes both inflation-linked and nominal bonds.

Inflation-linked bond ▶ A bond where the holder receives a fixed interest rate and compensation for inflation during the maturity. This means that the yield and the amount invested are protected against inflation, so that any inflation does not reduce the value of the bond during the period of saving.

Interest rate refixing period ▶ The average period until the cash flows provided by the central government debt are to be paid. Cash flows arise when interest and loans fall due for payment.

Issue ▶ Sale of new government securities. Usually takes place by auctions.

Liquidity bill ▶ T-bill with customised time to maturity.

Nominal bond ▶ A bond which gives a predetermined amount in kronor on maturity. Nominal government bonds also give a fixed annual payment, a coupon rate.

Money market ▶ The market for interest-bearing securities with times to maturity of up to a year. T-bills are traded in the money market.

Rating ▶ Is a certificate of, for instance, the ability of company or a country to perform its financial obligations, i.e. a certificate of creditworthiness.

Reference loan ▶ A reference loan is a benchmark bond traded as a 2, 5 or 10-year bond. Also called super benchmark. The Debt Office concentrates borrowing in these maturities, Cf *benchmark bond.*

Repo (repurchase agreement) ▶ Agreement on sale of a security where the seller at the same time undertakes to buy back the security after a set period for an agreed price. The repo can also be reversed, i.e. a purchase agreement in combination with future sale.

Swap ▶ Agreement between two parties on exchanging flows with one another during an agreed period, for instance, exchange of fixed interest for floating interest.

T-bill ▶ A short-term government security without interest during the period to maturity. The yield consists of the difference between final payment and the payment the T-bill is purchased for.

Central Government Borrowing – Forecast and Analysis is published three times a year.		
For more information:		
Central government finances and debt:	Sten Hansen	+46 8 613 47 37
Funding:	Thomas Olofsson	+46 8 613 47 82

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RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

Visiting address: Norrlandsgatan 15 • Postal address: SE-103 74 Stockholm, Sweden

Telephone: +46 8 613 45 00 • Fax: +46 8 21 21 63 • E-mail: riksgalden@riksgalden.se • Internet: www.riksgalden.se

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