RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

Central Government Borrowing

Forecast and Analysis 2010:1

SUMMARY

THE RECOVERY IS CONTINUING BUT THE BUDGET DEFICITS PERSIST

BORROWING LARGELY UNCHANGED

ARTICLES

MARKET INFORMATION

In *Central Government Borrowing – Forecast and Analysis 2010:1*, we present forecasts for central government finances and borrowing in 2010 and 2011. In the first section, we present annual and monthly forecasts for the budget balance (net borrowing requirement) and the underlying analysis. These forecasts serve as the basis for borrowing, which is dealt with in the second section of the report.

In the article ”Accurate forecasts lead to stable borrowing”, we present a retrospect and a comparison with other forecasters.

SWEDISH NATIONAL DEBT OFFICE'S MISSION

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

In *Central Government Borrowing – Forecast and Analysis*, which is 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

Central government finances will recover somewhat more quickly as the labour market downturn will be less sharp than expected. The Debt Office's new forecast indicates smaller budget deficits in 2010 and 2011 than the previous forecast, although the changes are minor. Accordingly, the plan for central government borrowing is largely unchanged.

The budget deficit is estimated at SEK 53 billion in 2010 and SEK 37 billion in 2011. This is a reduction of SEK 11 billion and SEK 4 billion compared with the previous forecast.

The change in the 2010 forecast is mainly explained by lower unemployment than previously expected, leading to higher revenue from wage- and consumption-based taxes. At the same time, unemployment insurance payments will be lower. The forecast for 2011 is almost unchanged.

The main reason behind the stable forecasts is that we have only made small changes in our macroeconomic assessment.

Some brightening in the labour market

We have anticipated for a long time that the recovery of the real economy would begin at the end of 2009. We now estimate GDP growth of around 2.5 per cent for 2010 and just below 3 per cent for 2011.

The downturn in the labour market will not be quite as sharp as we expected in October. We have therefore reduced our forecast of unemployment slightly. We still expect an increase in 2010 compared with 2009, but next year unemployment will decrease.

Central government debt still below 40 per cent of GDP

The central government debt will be SEK 1,240 billion and SEK 1,277 billion respectively at the end of 2010 and 2011. This corresponds to 39 and 38 per cent of GDP.

Central government debt including the Debt Office's financial assets is estimated at SEK 1,133 billion and SEK 1,169 billion. This corresponds to 35 per cent of GDP both years.

Borrowing largely unchanged

The stable forecasts for the budget balance mean that we do not need to make any significant changes in the borrowing plan.

The issue volume in nominal government bonds remains at SEK 3 billion per auction. The stock of T-bills increases during 2010 in accordance with our previous forecast, while inflation-linked borrowing decreases from SEK 10 billion to SEK 9 billion per year. Borrowing in foreign currency bonds will be SEK 29 billion in 2010 and SEK 71 billion in 2011.

Accurate forecasts lead to stable borrowing

On the whole, we have succeeded well in the past three years with our forecasts. We have not least anticipated sharp fluctuations in the net borrowing requirement early on. Accurate forecasts are essential if we are to achieve our goal of borrowing at as low cost as possible without taking too great risks.

The recovery is continuing but the budget deficits persist

Our new forecasts for the budget balance in 2010 and 2011 are deficits of SEK 53 billion and SEK 37 billion. These deficits are smaller than in the October forecast, although the changes are minor. The macroeconomic development looks somewhat brighter, mainly as the downturn in the labour market now appears to be less deep than we previously expected.

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

SEK billion	2009	Forecast 2010	Forecast 2011
Central government debt at the beginning of the year	**1,119**	**1,189**	**1,240**
Primary borrowing requirement excluding on-lending and sales	49	19	7
Sales of state-owned assets	0	0	0
Interest on central government debt	**31**	**23**	**30**
Net borrowing requirement ex. on-lending	**80**	**41**	**37**
On-lending[2]	96	12	0
Net borrowing requirement	**176**	**53**	**37**
Debt adjustments	−44	2	0
Short-term investments (annual change)	−62	−4	0
Change in central government debt	**70**	**51**	**37**
Central government debt at the end of the year[3]	**1,189**	**1,240**	**1,277**
The Debt Office's financial assets[4]	−96	−108	−108
Central government debt including the Debt Office's financial assets	**1,093**	**1,133**	**1,169**

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 to 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 next; see the net borrowing requirement in table 1. The deficits will, however, be somewhat smaller than in our previous forecast. This is mainly due to unemployment being slightly lower than we expected in October.

The economic recovery is continuing and the acute crisis is turning into a more normal downturn. Accordingly, the central government budget will not be burdened by crisis-related measures to the same extent as in 2009. The budget deficit will therefore be SEK 123 billion lower in 2010 than last year.

The deficit for 2010 decreases by SEK 11 billion compared with the previous forecast. This is mainly explained by higher tax revenue. Lower unemployment leads to higher revenue from wage- and consumption-based taxes. At the same time, unemployment insurance payments decrease.

The forecast for 2011 is practically unchanged. We do not expect there to be any on-lending next year. However, we have, as in the previous forecast, assumed that the Riksdag will decide on new expenditure increases and/or tax cuts in the range of SEK 20 billion.

The stable forecasts are mainly due to our only having made small changes in our macroeconomic assessment.

Economic outlook somewhat brighter

Our macroeconomic scenario has been broadly unchanged during the past year. We have anticipated for a long time that the recovery of the real economy would begin at the end of 2009. This assessment is supported by a number of forward-looking indicators, such as the National Institute of Economic Research's economic tendency survey. Available data show that output and orders in Swedish industry have started to increase again. However, this rise in output is taking place from very low levels. We expect GDP growth of around 2.5 per cent for 2010 and just below 3 per cent for 2011.

The downturn in the labour market will not be quite as sharp as in the previous forecast. The number of redundancy notices is significantly lower and, according to the Employment Service, a smaller proportion of redundancy notices lead to actual unemployment than during the spring of 2009. At the same time, it is important to remember that we still expect unemployment to be higher in 2010 than in 2009. Low resource utilisation in businesses means that the need for new recruitment will be limited when demand picks up. It will take until 2011 before the economic recovery results in lower unemployment.

We expect household consumption to grow by 3.0 per cent this year and by 3.2 per cent in 2011, which is slightly higher than in the previous forecast. This is mainly due to the development of the labour market appearing to be less weak.

Household consumption developed very weakly both during 2008 and 2009. At the same time, household disposable income has grown relatively strongly, not least due to an expansive fiscal policy and low interest rates. This means that saving is at historically high levels. According to the National Institute of Economic Research's economic tendency survey, household expectations on the economic situation are becoming increasingly positive. This means that there is potential for relatively good consumption growth in the next few years.

Profit levels for businesses have fallen for two consecutive years. Corporate profits will start to rise again, apace with the recovery of demand, although from low levels. There will be a relatively sharp rise in productivity both this year and next, which contributes to the rise in profits. Since businesses have plenty of spare capacity, there is scope to increase output without costs rising notably.

Even though we consider that the worst of the crisis is now over, the state of the economy is still weak. The recovery, both in Sweden and internationally, is based on a very expansive economic policy. Apace with a tightening of fiscal and monetary policy as the situation becomes more normal, there is a risk that the strength of the recovery will slacken. This applies not least internationally where many countries have problems with large deficits. Sweden has relatively strong public finances, although a sharp tightening-up in other countries may have a negative impact on Swedish growth through a weaker development of exports.

Swedish exports have developed weakly recently. The National Institute of Economic Research's economic tendency survey and orders indicate a movement in a positive direction, however. We expect that exports will increase somewhat more quickly than in our previous forecast.

Stable budget forecasts

The budget deficits will be SEK 53 billion in 2010 and SEK 37 billion in 2011. This is SEK 11 billion and SEK 4 billion less than in the previous forecast.

Table 2. LARGEST CHANGES COMPARED WITH THE PREVIOUS FORECAST, 2010 [1]

SEK billion

Taxes	–15
Public Employment Service	–3
Swedish Board of Agriculture	–2
Social Insurance Agency	3
Other	1
Total change, primary balance	**–16**
Net lending (incl. on-lending)	4
Interest	1
Total change, net borrowing requirement	**–11**

Table 3. LARGEST CHANGES COMPARED WITH THE PREVIOUS FORECAST, 2011 [1]

SEK billion

Taxes	–7
Public Employment Service	–3
Other	5
Total change, primary balance	**–5**
Net lending (including on-lending)	0
Interest	1
Total change in net borrowing requirement	**–4**

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

Outcome in line with forecast

The monthly outcomes for the net borrowing requirement since our previous forecast do not justify any large changes in the forecasts. The outcomes for October to January have been very close to our forecasts. The aggregate deviation for the period is SEK 4 billion, which is entirely due to the postponement of on-lending to Iceland. The other central government payments have altogether been in line with forecast.

On-lending to Iceland and Latvia

We estimate on-lending of SEK 12 billion for 2010. This is an increase of SEK 4 billion, which is due to a large part of the on-lending to Iceland being moved from 2009 to 2010. Only about SEK 1 billion was lent to Iceland last year, while the remaining SEK 4 billion is to be lent this year.

Sweden will also lend money to Latvia. This on-lending corresponds to SEK 8 billion during 2010.

After last year's on-lending to the Riksbank, we expect the central bank to have the same volume of loans at the Debt Office throughout the forecast period. Should the Riksbank amortise loans, this will improve the budget balance to a corresponding extent.

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 net borrowing requirement as well as the official measure of central government debt is affected. Interest payments on the debt are not affected as the borrowers will pay interest that corresponds to the Debt Offices' 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 10 billion for 2010 and SEK 6 billion for 2011, which is in line with the previous forecast.

Increasing tax revenue
During the past four months, tax revenue has been SEK 3 billion lower than our previous forecast. This is mainly attributable to higher disbursements of excess tax.

For 2010, we are adjusting the forecast of tax revenue upwards by SEK 15 billion. This is mainly explained by higher revenue from wage- and consumption-based taxes.

Just as we expected in our previous forecast, the increasingly weak labour market had an impact through fewer hours worked during autumn 2009. This development continues during 2010, but the reduction in hours worked is smaller than in 2009. We assume that hours worked will increase apace with the expiry of the agreements on reduction of working hours and the start of the economic recovery. The downturn in the labour market is not as sharp as in the previous forecast. This leads us to make marginal adjustments of the growth rate of gross wages to an annual rate of 1.3 per cent in 2010 and 2.9 per cent next year.

We expect higher gross wages to lead to household consumption increasing slightly more quickly than in the previous forecast. Revenue from consumption-based taxes will accordingly be higher.

Corporate tax payments have developed in line with the October forecast. Our earlier assessment of the development of corporate profits is therefore broadly maintained.

Lower unemployment insurance payments
We expect unemployment of 10.0 per cent in 2010 and 9.7 per cent in 2011 as an annual average according to the new definition (16–64 including full-time students). However, the old definition that excludes full-time students is more relevant for our assessment of how much unemployment affects central government finances. Our forecast according to this definition is 8.0 per cent for 2010 and 7.7 per cent for 2011.

We have adjusted our forecast of unemployment downwards by around 30,000 persons for 2010 and 40,000 persons for 2011 according to the old definition. However, we still expect rising unemployment in 2010 compared with 2009, which leads to unemployment insurance payments increasing by around SEK 5 billion between these years. Unemployment will decrease slightly next year.

Unemployment insurance payments have been lower than predicted in the past four months. Our slightly more positive view of the labour market leads us to reduce the forecast, although, at the same time, we believe that there is some lag in payments. The revised unemployment forecast for 2011 means that unemployment insurance payments decrease by SEK 3 billion compared with the previous forecast.

The number of persons taking part in various labour market programmes has risen sharply during the past year. Most of them receive activity support from the Social Insurance Agency. Payments of activity support have to date complied very well with our forecast. We estimate that there will be fewer people in programmes than both the Government and the National Institute of Economic Research.

If more people are activated in programmes, it may appear as if unemployment is falling, although this does not necessarily mean a reduction in central government expenditure. It is then more a question of redistribution between disbursements of unemployment insurance and activity support.

Weak local government tax base
Central government disbursements of tax to municipalities and county councils will be considerably lower than in the past two years. Local government tax revenue will develop weakly between forecast years. This is partly due to low growth of gross wages. Moreover, there will be large negative final settlements with the municipalities for previous years, i.e. the preliminary payments to municipalities were too large in 2008 and 2009.

Unchanged forecast for dividends
We estimate dividends on the state's shares at SEK 14 billion this year, which is unchanged compared with the previous forecast. This is a decrease of SEK 6 billion from last year. Next year, dividends will increase to SEK 16 billion.

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

Slightly greater interest payments
Interest payments on central government debt are estimated at SEK 23 billion in 2010, which is SEK 1 billion more than in the previous forecast. This is a decrease of SEK 9 billion from 2009, which is due to a reduction in exchange rate losses from SEK 14 billion to SEK 5 billion. We estimate that interest payments for 2011 will amount to SEK 30 billion. This is an increase of SEK 1 billion compared with the previous forecast, which is due to larger exchange rate losses.

We do not make any forecasts of interest rates and exchange rates but assume that they are unchanged in relation to the levels on the forecast date.

Budget balance compared with central government net lending

Central government net lending will amount to SEK −66 billion for 2010 and SEK −40 billion in 2011.

The differences between central government net lending and the budget balance can be considerable. This is because the budget balance is based on cash flow and includes, for example, sales of state-owned assets and on-lending within the Debt Office's net lending to agencies.

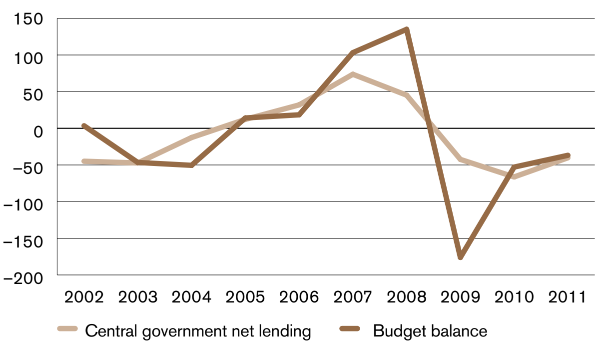
Central government net lending generally provides a better picture of the underlying development than the budget balance, which is affected by temporary payments. Central government net lending deteriorates in all years from 2007 to 2010, which will be the worst year for central government finances.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

Table 4. CENTRAL GOVERNMENT NET LENDING 2006-2011

				Forecast		
SEK billion	2006	2007	2008	2009	2010	2011
Budget balance	**18**	**103**	**135**	**−176**	**−53**	**−37**
Adjustment items	**13**	**−29**	**−90**	**134**	**−13**	**−9**
Sale of limited companies	0	−18	−77	0	0	0
Parts of Debt Office's net lending	22	2	−5	116	12	−1
Accrual of interest & taxes	6	18	−24	14	−14	−8
Other	−15	−31	16	4	−12	6
Central government net lending	**32**	**74**	**45**	**−42**	**−66**	**−40**
Per cent of GDP	**1.1**	**2.4**	**1.4**	**−1.4**	**−2.1**	**−1.2**

Figure 1. CENTRAL GOVERNMENT NET LENDING AND BUDGET BALANCE

SEK billion



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. CENTRAL GOVERNMENT NET BORROWING REQUIREMENT PER MONTH

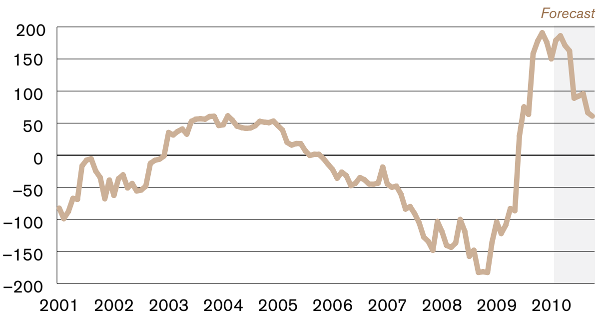
SEK billion	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Primary borrowing requirement	−45,3	3,3	−9,8	−29,6	29,6	−4,0	−12,0	13,0	11,6
Interest on central government debt	0,0	6,8	−3,0	4,3	−0,7	1,1	4,1	−2,2	2,5
Net borrowing requirement *	**−45,4**	**10,1**	**−12,7**	**−25,2**	**29,0**	**−2,9**	**−8,0**	**10,8**	**14,1**

* *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.*

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 net borrowing requirement by SEK 10 billion in June and reduce it by SEK 10 billion in July.

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

SEK billion



Central government debt stays below 40 per cent of GDP

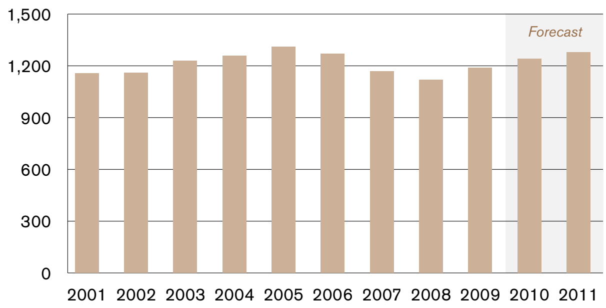
Central government debt will be SEK 1,240 billion and SEK 1,277 billion at the end of 2010 and 2011. This corresponds to 39 and 38 per cent of GDP respectively.

Compared with 2009, central government debt will increase by SEK 51 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 4 billion at the end of 2009, will be zero at the end of 2010, see table 1.

We estimate the central government debt including the Debt Office's financial assets at SEK 1,133 billion and SEK 1,169 billion respectively at the end of 2010 and 2011. This is equivalent to 35 per cent of GDP in both years.

Figure 3. CENTRAL GOVERNMENT DEBT 2001–2011

SEK billion



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 net borrowing requirement if they change. The table shows a rough estimate of these effects one year ahead. In order to make an assessment of an alternative scenario where a number of variables develop differently, these effects may be added.

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 paid to municipalities with a one-year time lag. This means that the effect on the net borrowing requirement in one year's time is bigger than the permanent effect.*

THE DEBT OFFICE'S CALCULATION ASSUMPTIONS

Per cent	2010	2011
Gross wages[1]	1,3	2,9
Household consumption [1]	3,0	3,2
Investments [1]	0,2	5,9
Export [1]	5,7	5,1
Unemployment new definition	10,0	9,7
Unemployment old definition	8,0	7,7

[1] *Annual percentage change, current prices*

CHANGES IN THE NET BORROWING REQUIREMENT

The table shows which parts of the net borrowing requirement that change the 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. For example, "Taxes" in the column for 2008 means that taxes increased by SEK 50 billion compared with 2007.

SEK billion	2007	2008	2009	2010	2011
Taxes	−54	−50	75	−29	−35
Payments to local government	46	60	45	−25	5
Sales of state assets	−18	−59	77	0	0
Share dividends	−9	9	5	5	−2
Labour market	−16	−5	1	8	1
Social Insurance Agency	0	18	4	8	7
EU contribution	0	5	−8	5	−1
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	137	−93	−16
Interest on central government debt	−3	−11	−2	−9	8
Miscellaneous	4	22	−23	7	−4
Total change from previous year	**−85**	**−32**	**311**	**−123**	**−16**

	2006	2007	2008	2009	2010	2011
Net borrowing requirement	−18	−103	−135	176	53	37

Taxes, sales of state-owned assets, payments to municipalities and the Debt Office's net lending have the greatest effect between years. Taxes and sales of state-owned assets have together decreased by SEK 152 billion for 2009 compared with 2008. At the same time, the Debt Office's net lending increased sharply, mainly due to on-lending to the Riksbank. Together, this explains the major part of the difference of SEK 311 billion between 2008 and 2009.

This year, payments to municipalities decrease by SEK 25 billion after having increased by SEK 45 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, since on-lending decreases. Taxes increase at a slow rate after having fallen sharply in 2009.

Next year, the net borrowing requirement decreases compared with 2010, despite our expectation of fiscal policy measures of SEK 20 billion. This reduction is due to taxes increasing by SEK 35 billion. Moreover, on-lending to Iceland and Latvia disappears in 2011.

Borrowing largely unchanged

The issue volume in nominal government bonds remains at SEK 3 billion per auction in 2010 and 2011. The T-bill stock is increasing in 2010 in accordance with the previous forecast and will average SEK 120 billion in the next two years. Borrowing in inflation-linked bonds decreases slightly from SEK 10 billion to SEK 9 billion per year. Borrowing in foreign currency increased sharply last year due to on-lending to the Riksbank. It will be considerably less this year and next year. Borrowing in foreign currency bonds will amount to SEK 29 billion in 2010 and SEK 71 billion in 2011.

Central government finances are developing in line with our previous expectations, and our forecast of the net borrowing requirement for 2010 and 2011 is largely unchanged. Accordingly, we do not need to make any major changes in the plan for borrowing during the coming two years.

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

Table 1. FUNDING 2009–2011

SEK billion	*2009*	*2010*	*2011*
Net borrowing requirement	176	53	37
Change in cash equivalent holdings and retail market borrowing [1]	–138	50	–57
Maturing bond loans and buybacks	181	47	125
Of which			
Government bonds	*121*	*12*	*65*
Foreign currency bonds	*59*	*36*	*60*
Funding requirement	**218**	**150**	**105**
T-bill borrowing, net [2]	–24	49	–38
Bond borrowing, gross [3]	243	100	143
Of which			
Nominal government bonds	*110*	*63*	*63*
Inflation-linked bonds	*3*	*9*	*9*
Foreign currency bonds, on-lending [4]	*81*	*23*	*46*
Foreign currency bonds, excluding on-lending	*49*	*6*	*25*
Funding	**218**	**150**	**105**

[1] *Change in outstanding deposits, liquidity bills, repos and commercial paper. Retail market borrowing is assumed to be unchanged from 31 January 2010.*

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

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

[4] *In the forecast of foreign currency funding, we make a technical calculation assumption that the bonds issued for on-lending to the Riksbank will be re-funded. A decision on this will be based on the Riksbank's need to maintain the size of the foreign currency reserve.*

The funding requirement decreases markedly in 2010 and 2011 compared with 2009. Funding in foreign currency was extensive last year due to on-lending to the Riksbank. New borrowing on behalf of the Riksbank has been concluded although we expect to continuously re-fund existing loans that mature.

Small changes in the issue plan

Central government funding amounts to SEK 150 billion in 2010, which is slightly more than in the October forecast. This increase of SEK 11 billion is mainly due to our moving part of the foreign currency borrowing from 2009 to 2010.

On-lending is also slightly greater due to the major part of the loan to Iceland being postponed to this year. In all, on-lending amounts to SEK 23 billion in 2010 including re-funding of maturing loans to the Riksbank.

In 2011, the funding requirement will be SEK 105 billion, which is marginally less than in the previous forecast. No new on-lending takes place during 2011. However, we are planning to replace maturing bonds for SEK 46 billion, which were issued for on-lending to the Riksbank.

Table 2 shows the change in the issue plan compared with our forecast in October.

Table 2 FUNDING COMPARED WITH PREVIOUS FORECAST

	2010		2011	
Forecast in SEK billion	Mar	(Oct)	Mar	(Oct)
Nominal government bonds	63	(63)	63	(63)
Inflation-linked bonds	9	(10)	9	(10)
T-bills, net [1]	49	(41)	–38	(–38)
Foreign currency bonds, on-lending [2]	23	(19)	46	(46)
Foreign currency bonds, excl. on-lending	6	(6)	25	(25)
Funding, total	**150**	**(139)**	**105**	**(107)**

[1] *Net of issues and maturities.*

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

[1] *The forecast for central government borrowing refers to long-term gross funding. It consists of net borrowing that covers budget deficits by calendar year, re-funding 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 re-funding of, for example, T-bills, which are not touched upon in this forecast.*

Table 3. IMPORTANT EVENTS IN 2010

Date	Time	Activity
18 March	11.00	Exchanges from 3105 to 3102 and 3104
22-23 March	11.00	Possible buyback of limited part of 1045
16 June	09.30	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 issue volume in nominal government bonds

The issue volume in nominal government bonds remains at SEK 3 billion per auction both in 2010 and 2011. Borrowing will be SEK 63 billion on an annual basis.

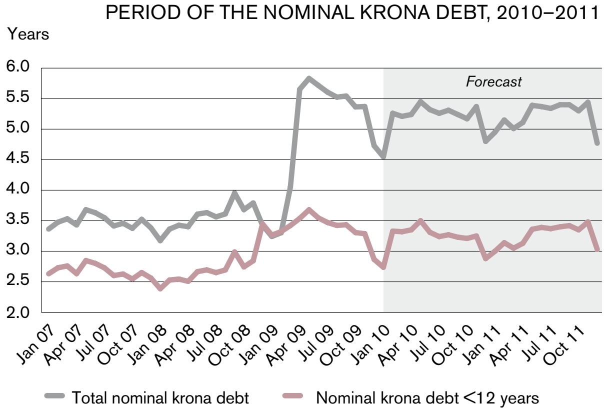
Table 4 shows the change in stock and exposure in bond rates adjusted by swaps. We swap part of the exposure in long interest rates for short rates and interest rates in foreign currency. Swaps are discussed in more detail in the section on T-bills and foreign currency borrowing.

Table 4. CHANGE IN OUTSTANDING GOVERNMENT BONDS, NET INCLUDING SWAPS

SEK billion	2009	2010	2011
Nominal government bonds, issues	110	63	63
Maturities, buybacks and exchanges	–114	–6	–62
Change in nominal government bond stock	**–5**	**57**	**1**
Swaps, net [1]	–19	2	36
Nominal government bonds and swaps, net change	–24	59	37

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

Figure 1. FORECAST FOR THE INTEREST RATE REFIXING PERIOD OF THE NOMINAL KRONA DEBT, 2010–2011

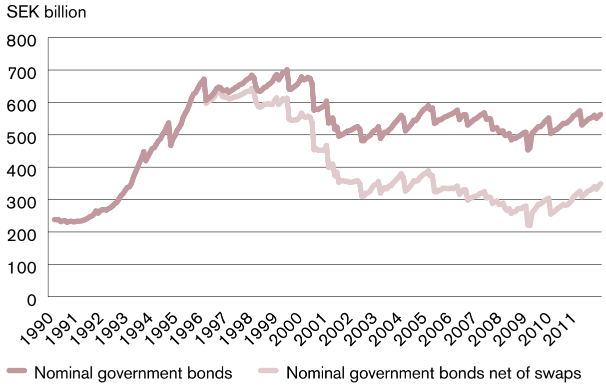


The Government has decided, in accordance with the Debt Office's proposal, that the maturity target for the nominal krona debt should apply to instruments with maturities of up to 12 years. The target for this component of the debt is 3.2 years in terms of the interest rate refixing period. A volume restriction of SEK 60 billion applies for maturities of over 12 years.

The interest rate refixing period for the nominal krona debt with maturities of up to 12 years will average 3.2 years in 2010 and 2011. Figure 1 shows our forecast for the interest rate refixing period on a monthly basis.

As in previous years, we have large short-term funding requirements in the month of December. The maturity will accordingly be shorter at the end of the year. As the shortening is temporary, we do not need to undertake any measures to adjust the maturity.

Figure 2. NOMINAL GOVERNMENT BONDS AND SWAPS



Priority given to ten-year 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 ten-year bonds; slightly over half of the issues will be made in this maturity. We will also sporadically issue bonds in the 30-year bond 1053.

We will introduce a new 10-year bond next year. Loan 1047 will remain a 10-year reference loan for the whole of 2010.

In conjunction with our adopting a new policy for T-bill borrowing a couple of years ago, it was no longer possible to

THE DEBT OFFICE'S ISSUES

A week before every auction, we notify which bond or T-bill will be issued and the volume on offer. This decision is based on an internal issue 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 issue plan. However, should we receive clear indications that we should deviate from the plan, we are able to do so.

exchange short bonds for bills. Instead, we have offered buybacks of a limited part of the bonds when they have become shorter than a year. These buybacks have been a market support measure intended to make it easier for investors who do not manage short bonds.

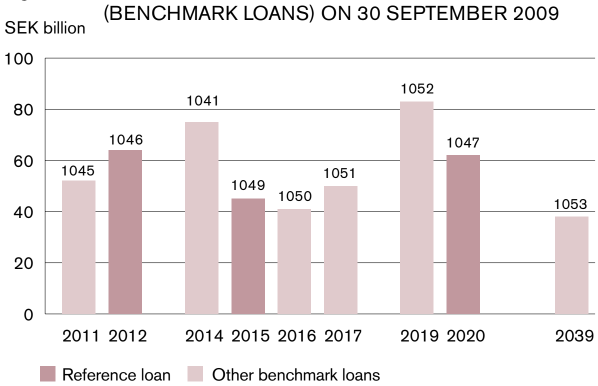
We have planned to buy back a limited part of loan 1045 on 22 and 23 March this year. It is not certain at present the extent to which a buyback will be needed this time. Should there be limited interest, the volume will be limited, or the auction can be cancelled. We will discuss the need with our primary dealers and announce details a week before the planned auction date.

Table 5. EXCHANGES OF REFERENCE LOANS IN THE ELECTRONIC INTERBANK MARKET

Date for exchanges of reference loans (IMM date)	2-year	5-year	10-year
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 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 of 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



T-bill stock increasing in 2010

Borrowing in T-bills was slightly less in 2009 than we expected in October. The plan for 2010 and 2011 is unchanged, which means that the stock increases to SEK 165 billion at the end of the current year. At the end of next year, we estimate that the stock will amount to just under SEK 130 billion.

On average we issue T-bills for SEK 15 billion per auction in 2010 and 2011. The auction dates can be found in the section on market information.

Funding in the next two years is planned in such a way that the outstanding stock should normally exceed SEK 100 billion, with an average in the range of SEK 120 billion.

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. 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.

The supply of T-bills varies with the short-term funding requirement. The funding requirement is very unevenly distributed over the months of the year. Despite this, our ambition is to continuously supply the market with bills even if there is a cash surplus in certain months.

The liquidity of the T-bill market has gradually decreased over the past decade. T-bills are now to a great extent an instrument for liquid short-term cash investments rather than a part of managers' active management. The liquidity has further deteriorated during the financial crisis.

Even though it is not realistic that the T-bill market will restore the previous liquidity, we are open to discussion as to how it could be improved and how we can contribute to this.

Table 6. CHANGE IN OUTSTANDING T-BILLS, NET INCLUDING SWAPS

SEK billion	2009	2010	2011
T-bill borrowing, net [1]	−24	49	−38
Interest rate swaps, net	−13	7	−15
T-bill stock and swaps, net change	**−37**	**56**	**−53**

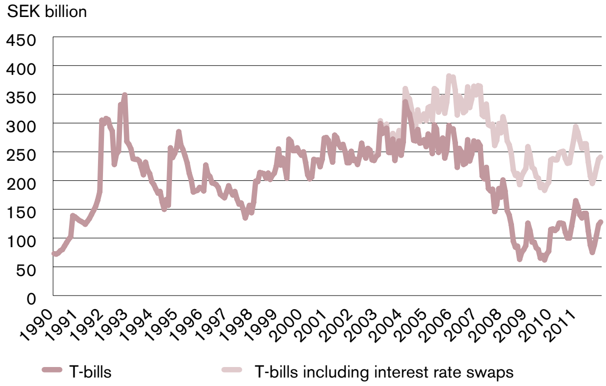
[1] *Net of issues (excluding exchanges) and maturities.*

Unchanged swap funding

We use interest rate swaps to create short interest rate exposure and to adjust the interest rate refixing period of the debt. The total swap volume depends on market conditions and the maturity target.

In accordance with our previous forecast, we expect that the volume of new interest rate swaps in the krona borrowing to be SEK 30 billion in 2010. The swap volume will amount to SEK 3 billion in 2011.

Figure 4. T-BILLS AND INTEREST RATE SWAPS



The outstanding stock of swaps remains at the same level in 2010 and decreases by SEK 36 billion in 2011; see table 7.

The development of the swap stock depends on the relationship between newly issued 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 plan if the funding requirement changes during the year.

Table 7. CHANGE IN OUTSTANDING SWAPS

SEK billion	2009	2010	2011
Interest rate swaps [1]	5	30	3
Foreign currency swaps [2]	50	0	3
Swaps, total	**55**	**30**	**5**
Swaps, maturities	–36	–32	–41
Swaps, net change	**19**	**–2**	**–36**

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

[2] *Interest rate swaps from long to short interest rate exposure combined with 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 borrowing slightly less

The issue volume of inflation-linked bonds will be SEK 9 billion per year in 2010 and 2011, which is slightly less than in the previous forecast. However, we are increasing the number of issue dates to twelve. We are issuing SEK 750 million per auction from 15 April 2010 onwards.

By holding more auctions with smaller volumes, we hope to be able to contribute to improved liquidity in the inflation-linked bond market. At the same time, we will have a more even spread over the year, which means that any temporary effects on demand due to monthly variations in the consumer price index will be less important.

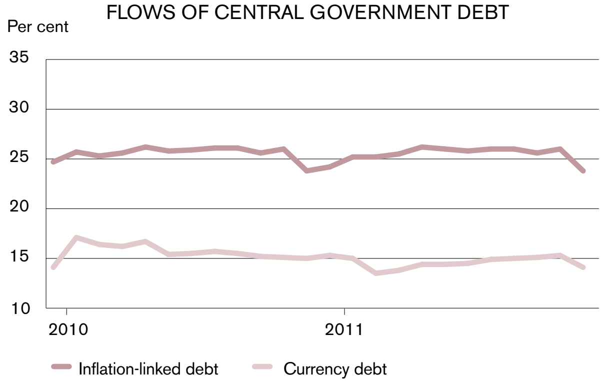
During 2010, we issue in all four outstanding inflation-linked loans. These issues are distributed approximately evenly between the loans. The choice of bond for each particular auction will mainly comply with an internal issue plan decided in advance.

The issues in loan 3106 will cease next year. We will not offer any exchanges or buybacks in connection with the loan maturing.

In March and October 2010, we will offer exchanges of loan 3105 for longer inflation-linked bonds for a total of SEK 10 billion. As from 2011, we plan to exchange SEK 5 billion per year up to and including 2013.This plan may be adjusted in future depending on market conditions.

As shown in Figure 5, the inflation-linked debt amounts to an average of 25 per cent of the total debt during 2010 and 2011. On 31 January, the maturity of the inflation-linked debt was 10.0 years. The maturity will become

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.

gradually shorter during the year and will be 9.5 years in December.

Inflation-linked borrowing in a longer perspective
When loan 3106 matures, the inflation-linked stock will be concentrated in three large loans. Three bonds is a rather small number to maintain a real yield curve. Furthermore, it will be difficult to handle large volumes when the loans mature.

We are therefore considering introducing a new inflation-linked bond and, in this way, distribute the inflation-linked debt over a number of smaller loans. A new loan is not at present included in the plan but we want to raise this matter for discussion already now.

We will review the strategy for inflation-linked borrowing during the spring and welcome points of view from investors and primary dealers, for example with regard to suitable maturities for a new inflation-linked bond.

A conceivable maturity is between 5 and 10 years, i.e. with a maturity date between loans 3105 and 3102. The new loan would be a natural replacement for the shortest loans when these mature. Another advantage with the 5 to 10-year segment is that there are outstanding nominal loans with the corresponding maturity. The matching maturity in nominal bonds facilitates valuation of the inflation-linked bonds, which promotes the liquidity of the inflation-linked bond market.

If demand is considered to be greater further out on the real yield curve, the new loan may instead be longer than loan 3102. The new bond could then be subsequently matched with a nominal bond when we introduce a new 10-year loan.

Foreign currency borrowing decreases

Last year, we issued foreign currency bonds for SEK 130 billion. The major part of the bond loans, SEK 80 billion, were raised for on-lending to the Riksbank. We also borrowed just under SEK 1 billion for Iceland.

This year, foreign currency borrowing will be considerably less. During 2010, we plan to issue foreign currency bonds for a total of SEK 29 billion. This is slightly more than we estimated in the October forecast. This increase is due to the major part of lending to Iceland taking place this year instead of 2009.

SEK 6 billion of the total foreign currency funding in 2010 is needed for regular funding of deficits and maturities. Lending to Latvia and Iceland accounts for SEK 8 billion and SEK 4 billion respectively. In addition, there is re-funding of maturing loans raised on behalf of the Riksbank of SEK 11 billion.

Next year, foreign currency borrowing will increase again to replace maturing loans, SEK 46 billion of which being on behalf of the Riksbank. Borrowing in foreign currency bonds amounts to SEK 71 billion in 2011.

Table 8. FOREIGN CURRENCY BORROWING[1] 2009–2011

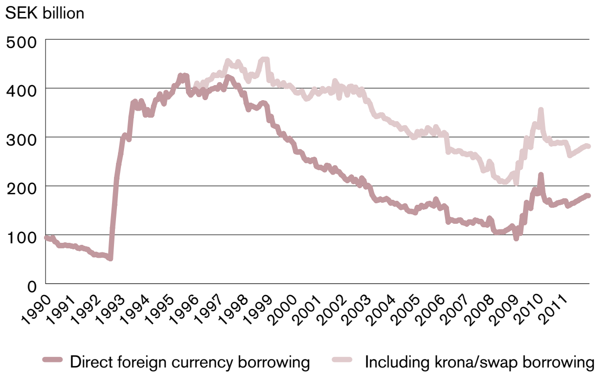
SEK billion	2009	2010	2011
Foreign currency bonds, borrowing	130	29	71
Of which			
On-lending[2]	81	23	46
Excluding on-lending	49	6	25
Maturities, bonds	−59	−36	−60
Change in foreign currency bonds	**71**	**−7**	**11**
Short-term funding including forwards, net	0	0	0
Change in foreign curency debt	**71**	**-7**	**11**
Currency swaps, net	32	−9	−21
Change in foreign currency debt including swaps, net	**103**	**−15**	**−9**

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

Swaps in foreign currency borrowing
Part of the foreign currency borrowing is made by swapping bonds in kronor for exposure in foreign currency; see the Box for details of how this takes place. We do not expect to make any currency swaps during 2010.

The forecast for 2011 is SEK 3 billion in foreign currency borrowing through swaps. The total foreign currency borrowing with bonds in foreign currency and swapped krona bonds is estimated to amount to SEK 74 billion in 2011.

Figure 6. DEVELOPMENT OF THE FOREIGN CURRENCY DEBT



Position for a stronger krona

Since the beginning of 2009, the Debt Office has gradually built up a position for a stronger krona in relation to the euro. This position has now reached the planned volume of SEK 50 billion.

The position for a stronger krona is strategic and is handled outside the day-to-day debt management. The currency exposure that arises is therefore not included in the calculations of the foreign currency share of the debt.

The fact that the position is strategic also means that we can sustainably retain it. A future winding-up of the position will be made over a long period.

FOREIGN CURRENCY BORROWING

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.

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

Accurate forecasts lead to stable borrowing

Forecasting the net borrowing requirement is the first step in the Debt Office's debt management process. The forecasts are intended to serve as a basis for our issue plans and liquidity management. Accurate forecasts are essential in order to achieve our goal of borrowing at the lowest possible cost without taking too high risks.

Information about our borrowing is published at an aggregated level in the report *Central Government Borrowing – Forecast and Analysis* three times a year. This product is primarily aimed at investors in our bonds and T-bills.

The forecasts of the net borrowing requirement create the prerequisites for stable issue plans and efficient liquidity management. Stability in our borrowing enables us to act with foresight when planning our auctions. We can then obtain better terms for our loans. Stability and predictability can also lead to lower interest costs through higher demand for our bonds and T-bills.

On the whole, we have performed well in the past three years with our forecasts of the net borrowing requirement; see the comparison below. Not least, we have been early in anticipating turning points for central government finances.

Different purposes and methods of work

The Debt Office's aim with its forecasts is to be able to conduct efficient debt management at as low a cost as possible. This means being able to avoid sudden changes in our borrowing with the aid of good forecasts.

As our forecasts are used directly in our operational activity, we must be able to react quickly to external changes. For example, we cannot always wait for data from the national accounts before we make our macro assessment. We therefore take into account other statistics. Among other things, we use detailed statistics of taxes paid and daily central government payments. This payment information is available relatively quickly and is subject to very few adjustments. We also make our own assessments of the direction of fiscal policy.

Besides the Debt Office, there are three authorities that forecast the central government net borrowing requirement: the National Institute of Economic Research (NIER), the Swedish National Financial Management Authority (ESV) and the Ministry of Finance. The aim of the forecasts and the method of making them differ somewhat among the forecasters.

NIER works mainly in national accounts terms and forecasts public finances. For example, they use central government net lending as a basis and adjust for accruals and differences in definitions to arrive at the net borrowing requirement. They also have a considerably broader perspective for their forecasts, which entails striking a different balance between the whole and the individual forecast flows than we do. They also make their own forecasts of fiscal policy measures.

ESV's starting point is almost always current regulatory frameworks for taxes and expenditures. The aim is to provide a basis for the Government's budget policy assessments, in particular on the expenditure side.

The Ministry of Finance produces its forecasts as part of a political process, which, among other things, aims at proposing changed tax and benefit rules.

Some banks also forecast the net borrowing requirement. However, only SEB consistently publishes its forecasts.

In the following comparison, we have chosen to exclude the Ministry of Finance as they only publish official comprehensive forecasts twice a year in conjunction with the Budget Bill and the Spring Fiscal Policy Bill. However, we have chosen to include SEB.

A retrospect and comparison between forecasters

The comparison illustrates how the forecasts of the net borrowing requirement have changed over time for the years 2007–2010. Outcomes are available for 2007–2009. ESV normally has a forecast horizon of four years and NIER three, while the Debt Office and SEB look two and three years ahead. The graphs start approximately at our first publication date for the respective forecast year.

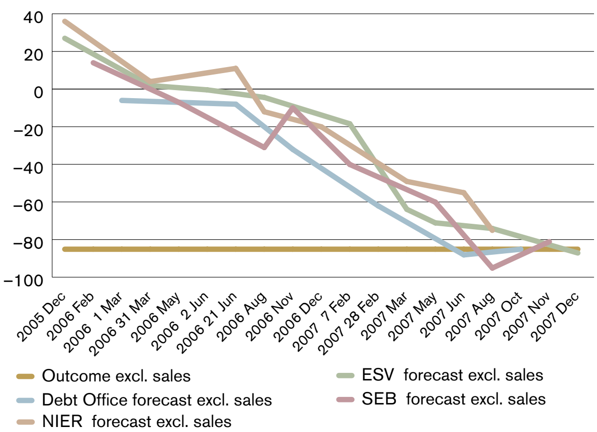
For 2007 and 2008 and to some extent also for 2009, sales of state-owned assets were an important part of the forecasts and the outcome of the net borrowing requirement. As the different forecasts have applied different policies on how to treat this in the forecast, we have removed sales both from the forecast and the outcome. This makes the "underlying net borrowing requirement" comparable.

The net borrowing requirement varies sharply over the business cycle. During upturns, revenue increases while expenditure decreases. The opposite applies in downturns. The combined effect from the revenue side and the expenditure side has a very sharp effect on the net borrowing requirement. As the state budget contains very large amounts, there will unavoidably be large forecast deviations in terms of billions of kronor when macroeconomic conditions change rapidly.

2007

All forecasters overestimated the net borrowing requirement for the forecast year 2007 throughout 2006 and also during the first half of 2007. One explanation is that the sharp economic upswing and its effects on the net borrowing requirement were underestimated.

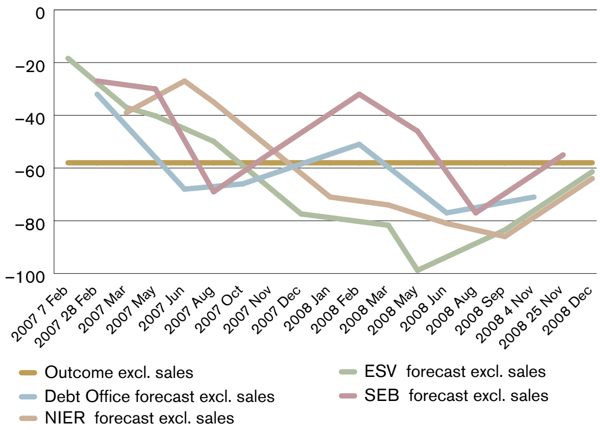
Figure 1. ANNUAL FORECASTS AND OUTCOME, 2007



2008

All forecasters were at least on average more correct for the forecast year 2008 than for 2007. However, there was a tendency, not least by NIER and ESV, to adjust the forecasts too much.

Figure 2. ANNUAL FORECASTS AND OUTCOME, 2008

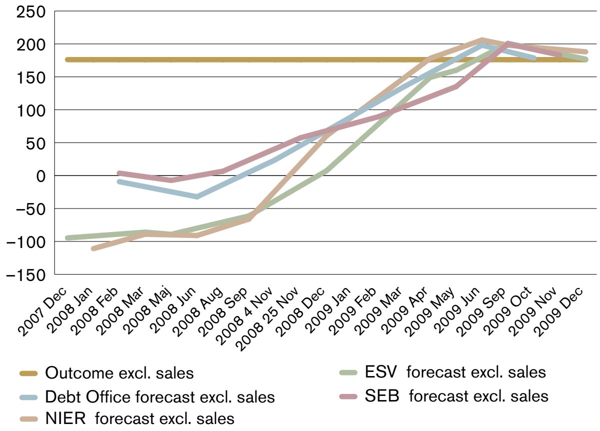


2009

When the Debt Office published its first forecast for 2009 in February 2008, ESV and NIER (and the Ministry of Finance) expected a considerably smaller net borrowing requirement. The reason that we deviated so sharply was that we made a different macro assessment. Moreover, the business cycle affects central government finances with a relatively long time lag. We made the assessment that the international downturn which had then started would only affect central government finances marginally in 2008, but would have a bigger impact in 2009. SEB made a similar assessment. Apace with the weakening of the economy and the sharpening of the financial crisis, all forecasters adjusted their forecasts of the borrowing requirement for 2009 upwards.

During 2009, the forecasts were greatly affected by the swift occurrence of factors associated with the financial crisis: lending by the Swedish state to the Riksbank and other states, the loan commitment to the Swedish Export Credit Corporation of SEK 100 billion and the bank support measures. This led to sharp upward adjustments during the year. The outcome of the on-lending to the Riksbank and Iceland amounted to slightly more than half of the total net borrowing requirement of SEK 176 billion for 2009. However, the Swedish Export Credit Corporation did not borrow any money and bank support was considerably lower than what was originally forecast. This contributed to both we and others adjusting the forecasts downward during the latter part of the year.

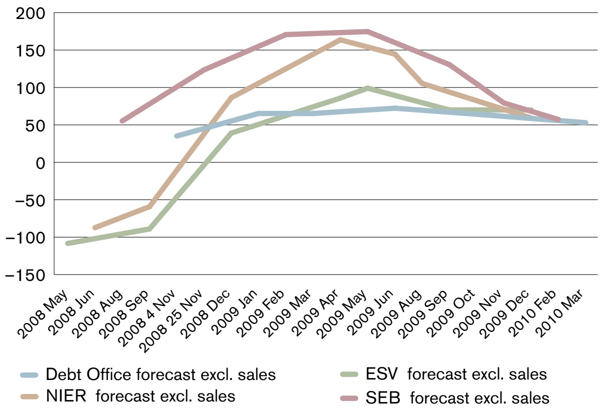
Figure 3. ANNUAL FORECASTS AND OUTCOME, 2009



2010

Looking at the range of the different forecasters' assessments, it can be seen that there is great uncertainty about 2010. During spring 2009, the Debt Office had the least pessimistic assessment of both the economic development and the net borrowing requirement. Most analysts revised their economic growth outlooks during autumn 2009 and thus approached our forecast of the net borrowing requirement.

Figure 4. ANNUAL FORECASTS, 2010



The Debt Office's forecasts stand up well

The retrospect shows that the Debt Office has succeeded very well in competition with other forecasters. This can be partly explained by our having a different working method and aim with our forecasts, which means that we make our own assessments of the economic development and fiscal policy measures. Moreover, we have early information on central government payment flows. In the financial crisis that has taken place, we have possibly had an advantage regarding the interpretation of how the financial markets affect the macro economy.

Since we previously had a shorter forecast horizon than today, it has not been relevant to go further back in time and compare forecasts. The period we have looked at now is, however, far too short to make any more in-depth and quantitative analyses of forecasting exactness. We hope we will have occasion to return to this at a later date.

Sofia Olsson, analyst
Tord Arvidsson, analyst

Market information

Source: Swedish National Debt Office, unless otherwise stated

SWEDISH GOVERNMENT DEBT

NOMINAL GOVERNMENT BONDS, OUTSTANDING VOLUMES, 31 JAN 2010

Maturity date	Coupon %	Loan no.	SEK million
2011-03-15	5.25	1045	51,858
2012-10-08	5.50	1046	63,724
2014-05-05	6.75	1041	75,251
2015-08-12	4.50	1049	44,991
2016-07-12	3.00	1050	41,489
2017-08-12	3.75	1051	50,026
2019-03-12	4.25	1052	82,703
2020-12-01	5.00	1047	61,700
2039-03-30	3.50	1053	38,075
Benchmarks			509,818
Non-benchmarks			950
Total government bonds			510,768

T-BILLS, OUTSTANDING VOLUMES, 31 JAN 2010

Maturity date	SEK million
2010-02-17	32,992
2010-03-17	37,494
2010-04-21	24,998
2010-06-16	20,585
Total T-Bills	116,069

INFLATION-LINKED BONDS, OUTSTANDING VOLUMES, 31 JAN 2010

Maturity date	Coupon %	Loan no.	SEK million
2012-04-01	1.00	3106	27,501
2014-04-01	0.00	3001	4,935
2015-12-01	3.50	3105	62,136
2020-12-01	4.00	3102	52,420
2028-12-01	3.50	3103	4
2028-12-01	3.50	3104	52,512
Total inflation-linked bonds			199,507

RATING

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

NOMINAL GOVERNMENT BONDS, AUCTION DATES

Announcement date	Auction date	Settlement date
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
2010-08-11	2010-08-18	2010-08-23
2010-08-25	2010-09-01	2010-09-06
2010-09-08	2010-09-15	2010-09-20
2010-09-22	2010-09-29	2010-10-04
2010-10-06	2010-10-13	2010-10-18
2010-10-20	2010-10-27	2010-11-01
2010-11-03	2010-11-10	2010-11-15
2010-11-17	2010-11-24	2010-11-29
2010-12-01	2010-12-08	2010-12-13

T-BILLS, AUCTION DATES

Announcement date	Auction date	Settlement date
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	2010-07-02
2010-08-04	2010-08-11	2010-08-13
2010-08-18	2010-08-25	2010-08-27
2010-09-01	2010-09-08	2010-09-10
2010-09-15	2010-09-22	2010-09-24
2010-09-29	2010-10-06	2010-10-08
2010-10-13	2010-10-20	2010-10-22
2010-10-27	2010-11-03	2010-11-05
2010-11-10	2010-11-17	2010-11-19
2010-11-24	2010-12-01	2010-12-03
2010-12-08	2010-12-15	2010-12-17

INFLATION-LINKED BONDS, AUCTION DATES

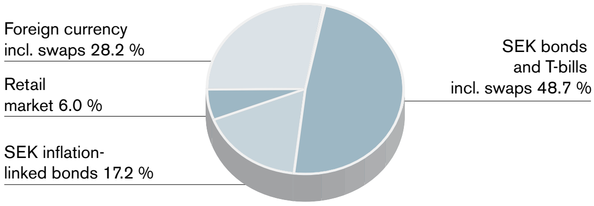
Announcement date	Auction date	Settlement date
2010-03-11	2010-03-18*	2010-03-23
2010-04-08	2010-04-15	2010-04-20
2010-04-22	2010-04-29	2010-05-04
2010-05-20	2010-05-27	2010-06-01
2010-06-03	2010-06-10	2010-06-15
2010-09-02	2010-09-09	2010-09-14
2010-09-16	2010-09-23	2010-09-28
2010-09-30	2010-10-07*	2010-10-12
2010-10-14	2010-10-21	2010-10-26
2010-10-28	2010-11-04	2010-11-09
2010-11-11	2010-11-18	2010-11-23
2010-11-25	2010-12-02	2010-12-07

** Exchange auction*

DEBT STRUCTURE

Total debt SEK 1,167.6 billion

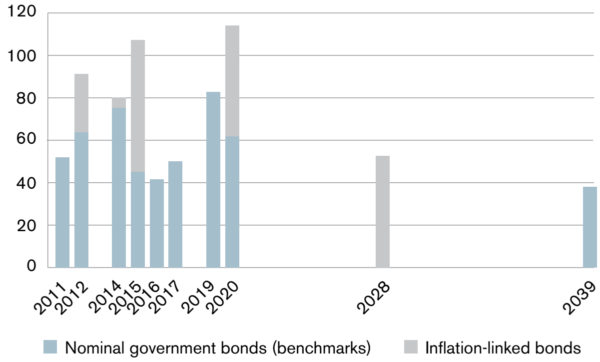
31 January 2010



MATURITY PROFILE, SEK NOMINAL AND INFLATION-LINKED BONDS

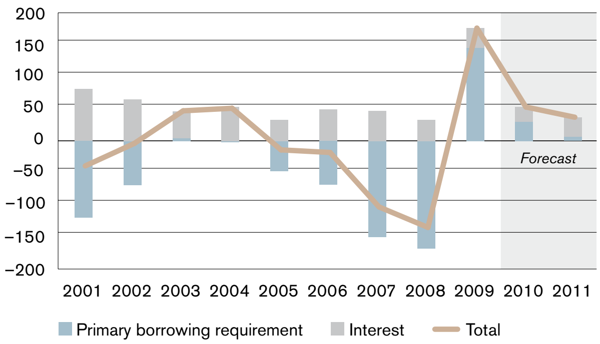
SEK billion

31 January 2010



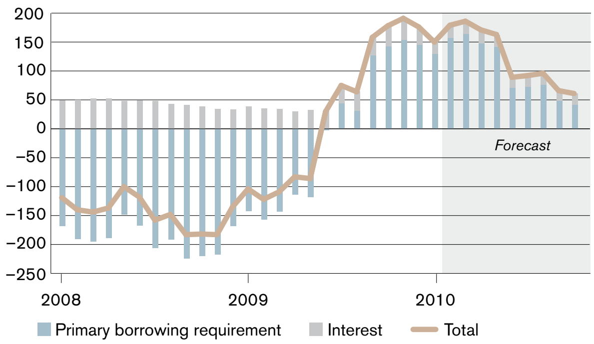
CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 2001–2011

SEK billion

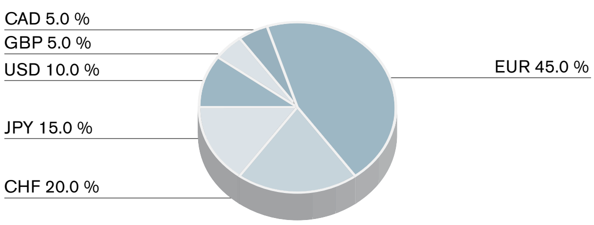


CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 12 MONTHS

SEK billion

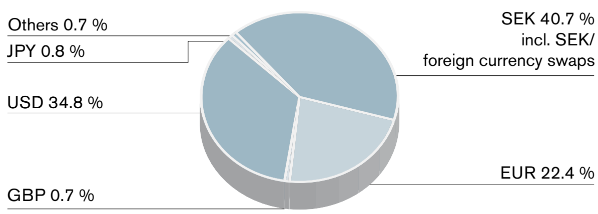


BENCHMARK FOR THE FOREIGN CURRENCY DEBT COMPOSITION

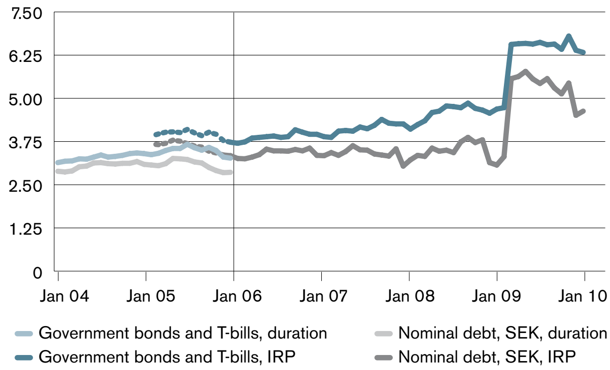


FUNDING IN FOREIGN CURRENCIES

31January 2010

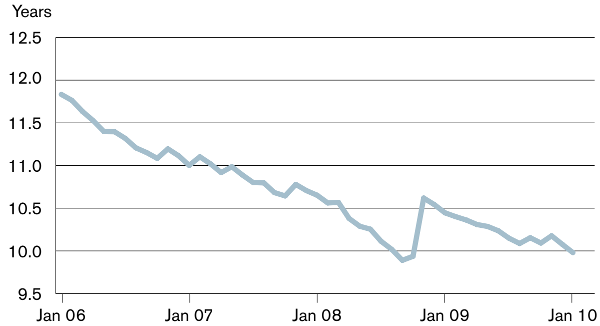


INTEREST-RATE REFIXING PERIOD (IRP) AND DURATION OF SEK NOMINAL DEBT

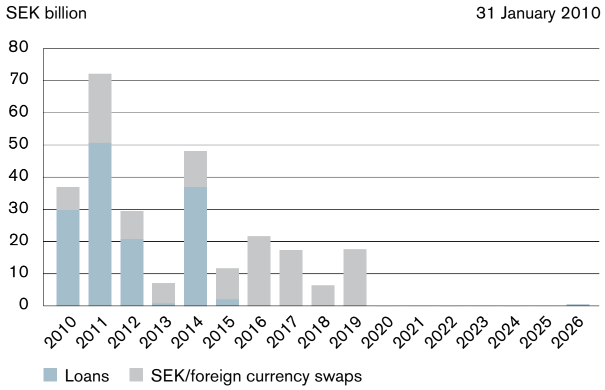


On 1 January 2006 the measure of maturity was changed from duration to interest-rate refixing period (IRP).

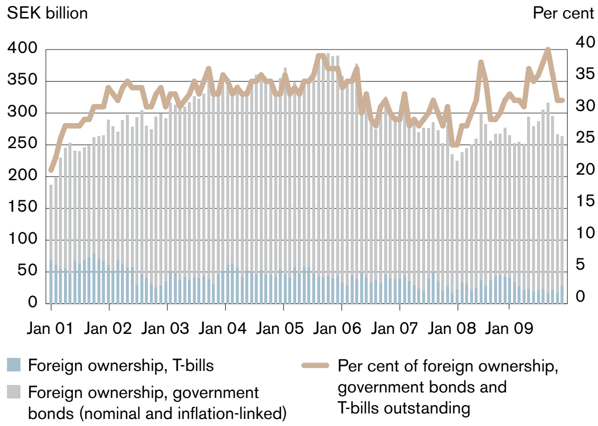
INTEREST-RATE REFIXING PERIOD (IRP) OF INFLATION-LINKED DEBT



MATURITY PROFILE, FOREIGN CURRENCY LOANS EXCLUDING CALLABLE BONDS

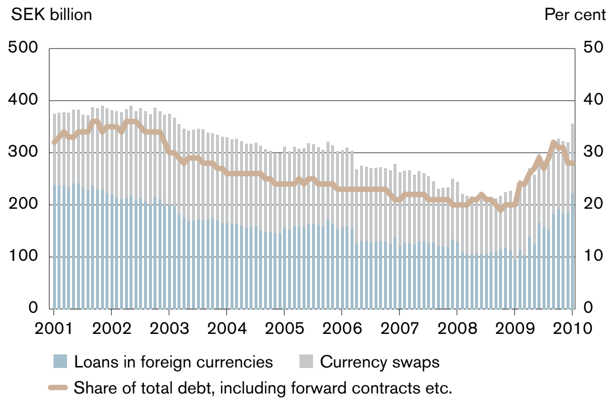


FOREIGN OWNERSHIP OF GOVERNMENT BONDS AND T-BILLS INCLUDING REPO POSITIONS



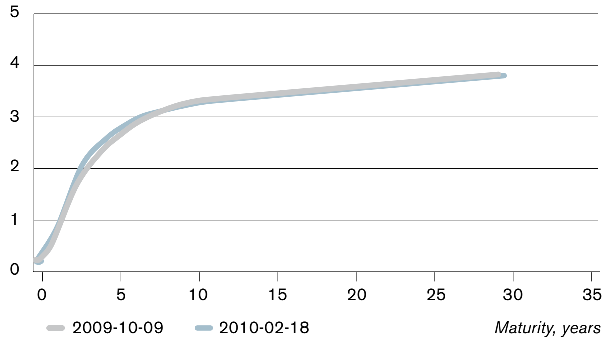
Source: The Riksbank

CENTRAL GOVERNMENT DEBT EXPOSURE IN FOREIGN CURRENCIES



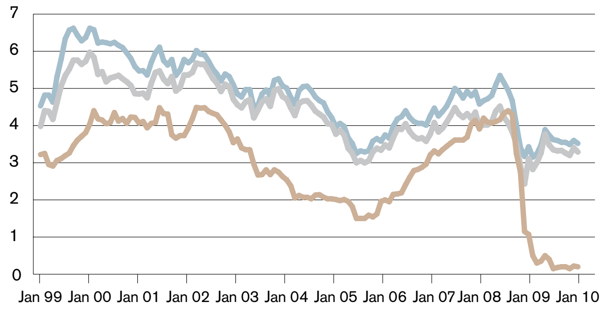
YIELD CURVE, SWEDISH GOVERNMENT SECURITIES

Per cent



HISTORICAL INTEREST RATES

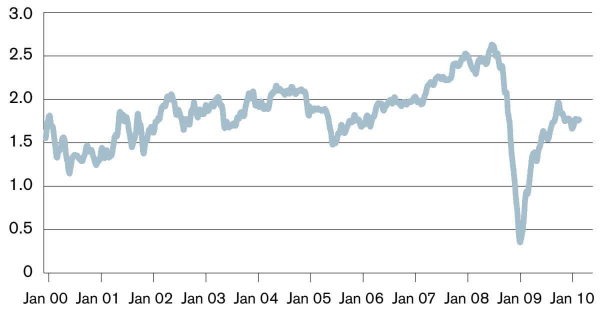
Per cent 31 January 2010



Source: Ecowin

BREAK-EVEN INFLATION

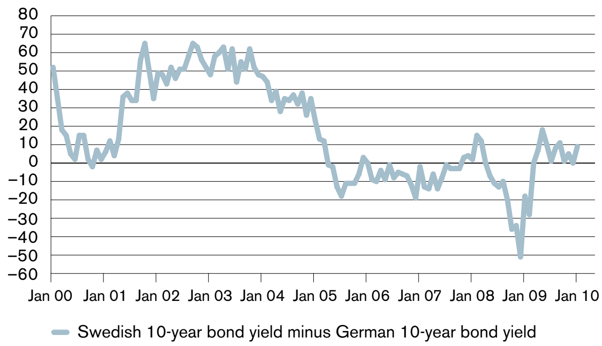
Per cent 31 January 2010



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

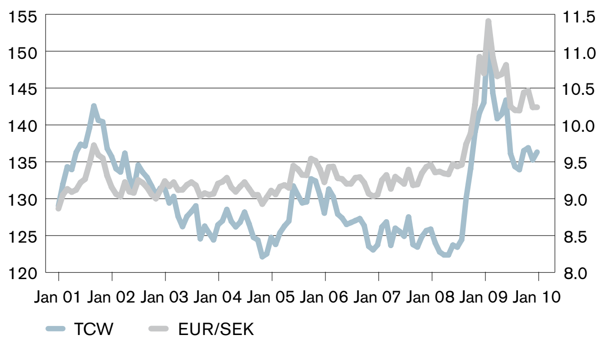
Basis points



Source: Ecowin

HISTORICAL EXCHANGE RATES 31 January 2010

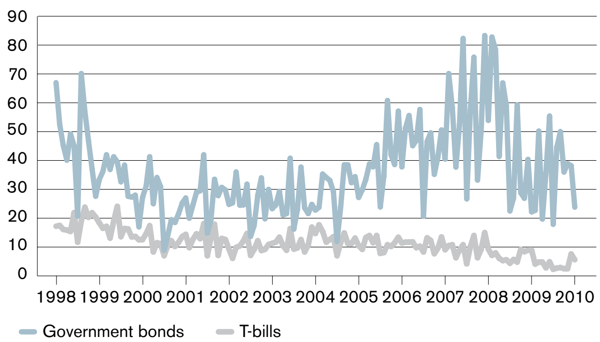
TCW – Trade-weighted index EUR/SEK



Source: Ecowin

DAILY TURNOVER, SWEDISH GOVERNMENT SECURITIES

Total turnover including options and forward contracts, SEK billion

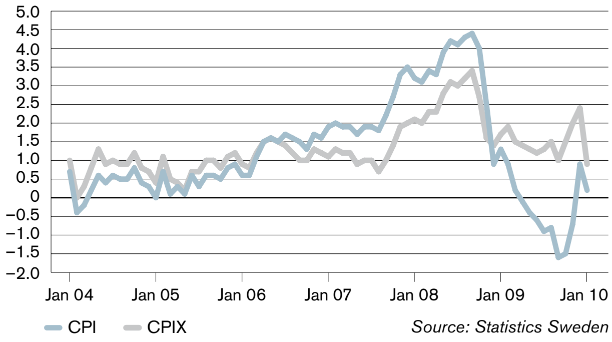


Source: The Riksbank

SWEDISH ECONOMY

INFLATION: CPIX AND CPI IN SWEDEN

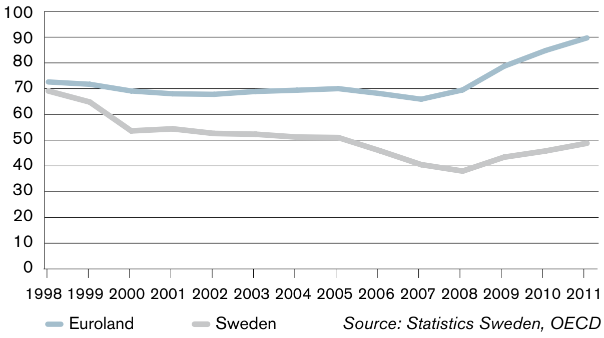
Per cent



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.

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 real interest rate and compensation for inflation during the maturity. This means that any inflation does not reduce the value of the bond.

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.

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.

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.		
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