

# Central Government Borrowing

*Forecast and Analysis 2010:3*

## SUMMARY

### STRONGER ECONOMY LEADS TO SURPLUS

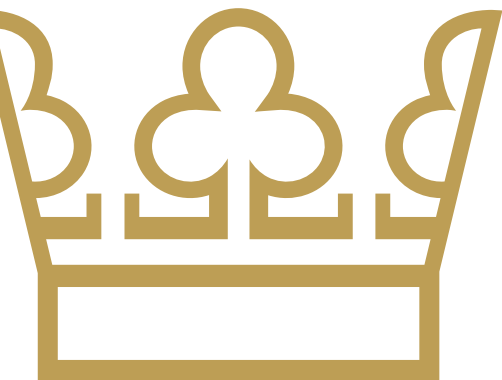
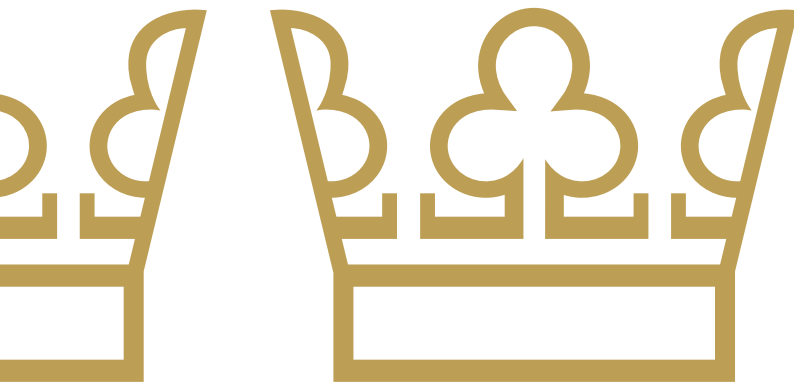
Brighter economic outlook	2
Deficit turns to surplus	3
Budget balance compared with central government net ledning	5
Monthly forecasts	6
Reduced central government debt	6

### BORROWING CONTINUES TO DECREASE

Reduced issue volume in nominal government bonds	9
Slightly reduction in borrowing T-bills	10
Unchanged inflation-linked borrowing	11
Reduced bond borrowing in foreign currency	12
Position for a stronger krona	13

## MARKET INFORMATION

Swedish government debt	14
Financial market	17
Swedish economy	18
Primary dealers	18



*In Central Government Borrowing – Forecast and Analysis 2010:3*, we present forecasts for central government finances and borrowing in 2010, 2011 and 2012. In the first section, we present annual and monthly forecasts for the budget balance and the underlying analysis. These forecasts serve as the basis for borrowing, which is dealt with in the second section of the report.

*Bo Lundgren*  
*Director General*

#### 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 as a press release. 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

*A stronger economy and increased tax income will lead to the central government budget being close to balance in 2010. In 2011 and 2012, there will again be a surplus. Consequently, borrowing will be reduced in the coming years.*

The Swedish economy appears to be stronger than in our previous forecast, in particular in 2010. The recovery in Sweden has been stronger than in the Euro area and the United States.

The Debt Office's forecast shows that the budget deficit will decrease to SEK 5 billion in 2010. The budget is thus almost balanced. This strong development continues in 2011 and 2012 when the forecast indicates a central government budget surplus of SEK 18 billion and SEK 78 billion respectively. The forecast for 2012 includes assumed income from sale of state-owned assets amounting to SEK 35 billion.

The budget deficit in 2010 will decrease compared with the previous forecast mainly because we no longer expect any additional on-lending to Iceland and Latvia. The central government budget surpluses in 2011 and 2012 are mainly due to increased tax income due to the strong recovery of the Swedish economy.

## **Reduced borrowing requirement**

The strong development of central government finances means that the borrowing requirement decreases both this year and in 2011 compared with our June forecast. The Debt Office gives priority to borrowing in nominal government bonds, although auction volumes still decrease from next year onwards. Borrowing in T-bills and inflation-linked bonds has already been adapted to a reduced borrowing requirement and will remain at low levels. Overall, central government borrowing including refunding of maturing loans will be SEK 88 billion in 2010, SEK 83 billion in 2011 and SEK 68 billion in 2012.

The issue volume of nominal government bonds will decrease from SEK 2.5 billion to SEK 2 billion per auction from next year onwards. On 9 February 2011 we will introduce a new ten-year bond, loan1054, maturing on 1 June 2022.

The T-bill stock will be reduced from an estimated SEK 105 billion to an average of SEK 99 billion this year. In 2011, the average stock is estimated at SEK 91 billion, compared with SEK 85 billion in the June forecast. In 2012, we estimate an average stock of SEK 72 billion.

Borrowing in inflation-linked bonds will remain at SEK 9 billion in 2010 and SEK 6 billion in 2011 and 2012. A new inflation-linked bond, loan 3108, will be introduced on 15 September 2011.

Foreign currency bond borrowing will total SEK 32 billion this year and SEK 51 billion next year. This is a reduction of SEK 25 billion in 2011 compared with the June forecast. We are planning foreign currency borrowing of SEK 29 billion for 2012. During 2011 and 2012, we will only raise foreign currency loans to refund maturing loans to the Riksbank.

## **Central government debt around 30 per cent of GDP**

Central government debt will be SEK 1,155 billion at the end of 2010 and will then decrease to SEK 1,116 billion by the end of 2011 and SEK 1,038 billion in 2012. This corresponds to 35, 33 and 29 per cent of GDP.

We estimate central government debt including the Debt Office's financial assets in foreign currency at SEK 1,060 billion at the end of 2010, SEK 1,021 billion in 2011 and SEK 943 billion in 2012. This corresponds to 32, 30 and 26 per cent of GDP.

# Stronger economy leads to surplus

The budget deficit for 2010 will decrease to SEK 5 billion. The central government budget will show a surplus of SEK 18 billion and SEK 78 billion in 2011 and 2012. The forecast for 2012 includes assumed sales income of SEK 35 billion. Economic growth appears to be stronger this year. This will have an impact on central government finances in the years to come, mainly through increasing tax income.

Table 1. CENTRAL GOVERNMENT NET BORROWING REQUIREMENT<sup>1</sup> AND CENTRAL GOVERNMENT DEBT

SEK billion	2009	Forecast		
		2010	2011	2012
<b>Central government debt at the beginning of the year</b>	<b>1,119</b>	<b>1,189</b>	<b>1,155</b>	<b>1,116</b>
Primary borrowing requirement excluding on-lending and sales	49	-16	-53	-64
Sales of state-owned assets	0	0	0	-35
Interest on central government debt	31	21	35	21
<b>Net borrowing requirement excl. on-lending</b>	<b>80</b>	<b>5</b>	<b>-18</b>	<b>-78</b>
On-lending <sup>2</sup>	96	0	0	0
<b>Net borrowing requirement</b>	<b>176</b>	<b>5</b>	<b>-18</b>	<b>-78</b>
Debt adjustments	-44	-35	-21	0
Short-term investments (annual change)	-62	-4	0	0
<b>Change in central government debt</b>	<b>70</b>	<b>-34</b>	<b>-39</b>	<b>-78</b>
<b>Central government debt at the end of the year<sup>3</sup></b>	<b>1,189</b>	<b>1,155</b>	<b>1,116</b>	<b>1,038</b>
The Debt Office's financial assets <sup>4</sup>	-100	-96	-96	-96
<b>Central government debt including the Debt Office's financial assets</b>	<b>1,089</b>	<b>1,060</b>	<b>1,021</b>	<b>943</b>

<sup>1</sup> The net borrowing requirement shows what the government needs to borrow to fund budget deficits. When there is a surplus, the net borrowing requirement is negative.

<sup>2</sup> Refers to lending to the Riksbank and other states.

<sup>3</sup> Unconsolidated central government debt according to the official definition.

<sup>4</sup> Financial assets include short-term investments and on-lending in foreign currency.

The central government budget will show a deficit of SEK 5 billion this year, although the strong economic recovery will lead to a surplus next year, see the net borrowing requirement in Table 1. This positive development will continue in 2012, although a large part of this improvement is due to our assumption of income from sale of state-owned shareholdings (sales income).

The budget deficit for 2010 is SEK 9 billion lower than in our previous forecast. This is largely due to our no longer expecting there to be any additional on-lending to Iceland or Latvia. The monthly outcomes for the agencies' current payments between June and October have been close to

forecast and do not therefore motivate any major forecast adjustments.

The budget surplus for 2011 will be SEK 18 billion. This is an improvement of SEK 26 billion compared with the previous forecast. This is mainly due to the stronger economic recovery this year leading to increased tax income.

The overall effect of the Government's proposals in the Spring Fiscal Policy Bill and Budget Bill was largely in line with our previous estimate of SEK 20 billion. The Budget Bill has therefore not had any major impact on the forecast for 2011.

Central government finances will further strengthen during 2012. Our forecast is a budget forecast of SEK 78 billion. We estimate that the agencies' current payments will result in a surplus of SEK 43 billion. Furthermore, we assume that the Government will sell shares for the equivalent of SEK 35 billion during 2012. However, the forecasted sales income is uncertain as it is difficult to judge how large the income will be and when it will take place.

## Brighter economic outlook

The Swedish economy appears to be stronger than in our previous forecast, in particular for 2010. The recovery has been faster in Sweden than in the Euro area and the United States.

GDP rose by 2.7 per cent in the first quarter and 4.6 per cent in the second quarter of 2010. The export-dependent Swedish economy was hit hard by the sharp downturn in 2008 and 2009, although domestic demand did not fall as sharply. Exports and investments have recovered as economic activity has strengthened. At the same time, household consumption has developed strongly. Furthermore, Sweden's relatively strong central government finances have meant that there has been scope for an expansive fiscal policy.

A large proportion of the GDP growth consists of stock-building. This is due to a weak increase in stocks being compared with last year's large reductions in stock levels. Accordingly, the contribution to GDP growth from stock-building will be considerably less during 2011 and 2012. We expect GDP to grow by around 4.5 per cent this year. Compared with the June forecast, this is an increase of just over 1.5 percentage points. We expect an increase of slightly less than 3 per cent for 2011, which is a marginal reduction of the forecast. This is due to a deterioration in the prospects for growth in other countries, in particular in the United States and the Euro area. Our forecast for GDP growth in 2012 is also just under 3 per cent.

We expect 2011 to be a year of continued recovery in the Swedish economy although at a weaker pace than in 2010. However, the GDP gap will continue to be negative throughout the forecast period. The level of GDP in 2011 will only be slightly higher than it was in 2007.

#### Further strengthening of the labour market

The labour market will continue to improve with increased employment. Vacancies will increase at the same time as redundancy notices are back at a more normal level. At the same time, the Business Tendency Survey's measurement of businesses' recruitment plans shows that more firms are planning to recruit.

The labour market has been more stable in relation to the GDP drop than was the case in previous recessions. This is partly due to the relatively strong public finances making it possible to avoid major cutbacks in the public sector. Another reason may be that the effects of the crisis on Sweden have been concentrated on the export sector. They have not spread to the rest of the economy to the same extent as in previous crises.

We estimate unemployment at 8.5 per cent in 2010 which is in line with 2009. The continued economic recovery leads to unemployment falling to 8.0 per cent in 2011 and 7.6 per cent in 2012.

#### Rising consumption

Household consumption has developed strongly during the first half of 2010. There has been a relatively large increase in households' disposable incomes in the past few years, inter alia, due to fiscal policy stimulants. At the same time, saving has been high. This means that there will be scope for rising consumption during the forecast period. We expect consumption in current prices to increase by 4.2 per cent this year, 3.7 per cent in 2011 and 4.2 per cent in 2012. In comparison with the previous forecast, it is mainly consumption for 2010 that we have adjusted upwards. This means that the levels for 2011 and 2012 will be higher.

## Deficit turns to surplus

A deficit of SEK 5 billion in 2010 will turn into a surplus of SEK 18 billion in 2011 and SEK 78 billion in 2012. Disregarding sales revenues, the surplus will be SEK 43 billion in 2012.

Table 2. LARGEST CHANGES FROM PREVIOUS FORECAST, 2010<sup>1</sup>

SEK billion	
Taxes	-1
Labour market	-2
The Legal, Financial and Administrative Services Agency	2
Other	0
<b>Change in primary balance</b>	<b>-1</b>
Net lending excl. on-lending	1
Interest payments	1
On-lending	-10
<b>Change in net borrowing requirement</b>	<b>-9</b>

Table 3. LARGEST CHANGES FROM PREVIOUS FORECAST, 2011<sup>1</sup>

SEK billion	
Taxes	-24
Labour market	-1
Social Insurance Agency	-3
Municipalities	6
Swedish Transport Administration	3
Schools and universities	1
Forecast fiscal policy <sup>2</sup>	-20
Other	5
<b>Change in primary balance</b>	<b>-31</b>
Net lending excl. on-lending	0
Interest payments	5
On-lending	0
<b>Change in net borrowing requirement</b>	<b>-26</b>

<sup>1</sup> 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.

<sup>2</sup> In previous forecasts, we have forecast SEK 20 billion in new expenditure increases and/or income reductions. After the Spring Fiscal Policy and Budget Bills, we have allocated these to the respective area and removed the level adjustment.

#### Sales of state assets

Our forecast for 2012 includes sales income of SEK 35 billion. We are not expecting any sales during 2011.

The Government has announced that it intends to resume sales of the state's share portfolio during its period of office. The Riksdag has already decided to authorise the Government to divest the whole or part of the state's shareholding in Nordea, SBAB and Telia Sonera. In the Budget Bill, the Government expects sales income of SEK 25 billion per year. However, this figure should be regarded as an assumption for calculation purposes rather than a fixed plan.

Our assessment is that it can take time to plan, prepare and implement a sale. We have therefore chosen not to include any sales income in the forecast for 2011. Instead, we have included SEK 35 billion in 2012, i.e. somewhat more than the Government's assumption for the purpose of calculation.

The assessment of sales income is, of course, uncertain. Income could well be considerably larger, at the same time as it is not improbable that no sales will take place at all. It cannot either be excluded that a sale will take place already during 2011.

The Debt Office does not receive any additional information about sales than that generally available. Our assessments are therefore as uncertain as those of others. Our conduct is governed only by how we should deal with this uncertainty in the best way when planning the funding of the central government debt.

#### **Increasing tax income**

The economic recovery will lead to increased central government income in the years to come. Total tax income will increase by SEK 24 billion in 2011 compared with the June forecast. It is mainly the forecasts for tax on corporate profits, consumption and imports that have been adjusted upwards. The positive development of tax income is expected to continue during 2012 as well. In 2012, a greater part of the increase will be attributable to wage-based taxes.

Corporate profits increase considerably more than we estimated in the June forecast. The preliminary corporate tax payments have been higher than estimated for the whole of 2010, which indicates that we underestimated the development of profits. At the same time, preliminary tax assessment outcomes for corporate tax for 2009 actually increased in comparison with 2008. In previous forecasts, we estimated a weakly decreasing income from corporate tax during 2009.

There is a lot to indicate that development will continue to be positive for businesses. Business output is increasing and most industries are showing positive development figures. We expect profits to continue to rise although at a slower pace towards the end of the forecast period.

Payments of wage-based taxes increase as a result of the improved labour market. We are adjusting the growth rate of the gross wages sum to an annual rate of 2.3 per cent in 2010 and to 3.6 per cent next year. We estimate an annual rate of 4.2 per cent for 2012.

Tax for pensioners will be cut from 2011. This will take place through an increased basic deduction. This proposal will reduce tax income by a total of SEK 7.5 billion.

#### **Larger disbursements to municipalities**

Central government payments to the local government sector will be SEK 6 billion greater compared with the June forecast. In the Budget Bill, the Government has proposed a temporary increase in the central government grant to municipalities and county councils of SEK 3 billion in 2011. Furthermore, the brighter outlook in the labour market means that the gross wages sum will grow more quickly than in the previous forecast. This will also lead to central government payments of tax to municipalities and county councils being higher in 2011 than in the previous forecast.

#### **Lower expenditure for unemployment**

We estimate unemployment of 8.5 per cent in 2010, 8.0 per cent in 2011 and 7.6 per cent in 2012 as an annual average according to the new definition (16–64 including full-time students). In our previous forecast, we assumed that unemployment would be around 9 per cent in 2010 and 2011. However, unemployment excluding full-time students is more relevant for our assessment of the impact of unemployment on central government finances. Our forecast of this measure is 6.3 per cent in 2010, 6.1 per cent in 2011 and 5.8 per cent in 2012.

Unemployment insurance payments have been lower than forecast during the summer and autumn. The positive development of the labour market is expected to continue for the rest of the year, which means that unemployment insurance payments will decrease by SEK 2.5 billion. Payments in 2011 will decrease by around SEK 2 billion compared with the previous forecast. There will be a further slight decrease in 2012.

Expenditure for labour market programmes has been in line with the forecast during the year. The Government's budget for 2011 includes a reinforcement of labour market programme measures. We are therefore increasing our forecast for payments for labour market programme measures by around SEK 1 billion for 2011. We estimate payments at the same level in 2012 as for 2011.

#### **Increased dividends**

Dividends on the state's shares are estimated at SEK 15 billion this year, which is unchanged compared with the previous forecast. Dividends will rise next year to SEK 23 billion. The higher level for 2011 is mainly due to sales income from Apoteket being received as dividend. However, this dividend will not affect the borrowing requirement as payment for the sale was deposited in an account at the Debt Office already this year. When the dividend is paid, it will only be a redistribution between the Debt Office's net lending and central government current payments.

Dividends for 2012 are estimated at SEK18 billion which

is approximately the same level as for 2011 disregarding the additional dividend from Apoteket.

#### Net lending by the Debt Office to agencies, etc.

The Debt Office's net lending is estimated at SEK 0, 12 and 3 billion for 2010, 2011 and 2012.

Net lending for 2010 will decrease by SEK 9 billion compared with the previous forecast. This is mainly due to our not believing that there will be any additional on-lending to Latvia and Iceland.

The Debt Office's net lending to agencies in 2011 is unchanged compared with the previous forecast.

#### Reduced on-lending

We are not expecting any additional on-lending to Iceland and Latvia. This means that on-lending to other states will decrease by SEK 9 billion compared with the previous forecast.

The total on-lending to the Riksbank has decreased by just under SEK 2 billion expressed in kronor during 2010. This is due to loans maturing and being replaced by loans at a lower euro and dollar rate. We expect the Riksbank to retain the same volume of loans at the Debt Office for the whole forecast period. If the Riksbank were to amortise the loans, this would improve the budget balance to a corresponding extent.

On-lending is corresponded to by claims of the same size, and thus not affect central government debt including the Debt Office's financial assets nor central government net lending. However, the budget balance is affected as well as the official measure of central government debt. Interest payments on central government debt do not increase as the interest income from on-lending covers the Debt Office's costs.

#### Higher interest payments

Interest payments on central government debt are estimated at SEK 21 billion and SEK 35 billion for 2010 and 2011. This is SEK 1 billion and SEK 5 billion respectively more than in the previous forecast. Interest payments will be SEK 21 billion in 2012.

The outcome for interest payments between June and October has been SEK 1 billion higher than in the June forecast. The reason for this is that exchange losses and interest on loans in Swedish kronor have been higher than estimated.

Interest payments will increase next year, mainly due to a reduction in issue premiums compared with the previous forecast, the reason being changed issue plans.

Interest payments for 2012 are estimated at SEK 21 billion. This is a sharp reduction compared with 2011. The reduction between years is due to lower capital losses in exchanges of inflation-linked bonds.

The Debt Office uses cut-off rates for estimation of interest payments. The cut-off date for this forecast is 31 October.

## Budget balance compared with central government net lending

The economic recovery means that central government financial net lending is also showing a surplus from 2011. Central government net lending will amount to SEK -17 billion in 2010, SEK 10 billion in 2011 and SEK 49 billion in 2012. This will mean that net lending will amount to 1.4 per cent of GDP for 2012.

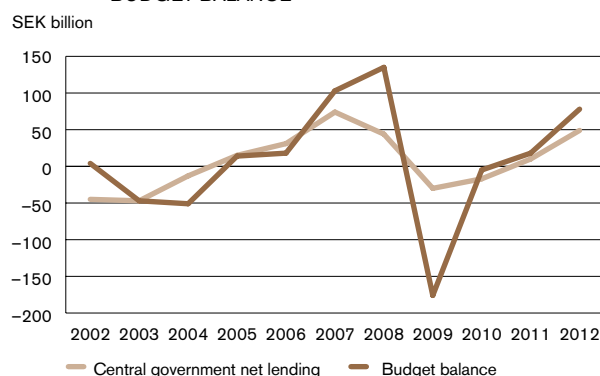
The differences between government financial lending and the budget balance may be substantial. This is because the budget balance is cash-based. It includes, for example, sales of state-owned assets and on-lending within the Debt Office's net lending to agencies.

Government financial lending generally provides a better picture of the underlying development than the budget balance, which is affected by temporary payments. We make a rough estimate of government financial lending based on the forecast of central government cash payments.

Table 4. CENTRAL GOVERNMENT NET LENDING 2007-2012

SEK billion	2007	2008	2009	Forecast		
				2010	2011	2012
<b>Budget balance</b>	<b>103</b>	<b>135</b>	<b>-176</b>	<b>-5</b>	<b>18</b>	<b>78</b>
<b>Adjustment items</b>	<b>-30</b>	<b>-91</b>	<b>146</b>	<b>-12</b>	<b>-9</b>	<b>-29</b>
Sale of limited companies	-18	-77	0	0	0	-35
Parts of Debt Office's net lending	2	-5	116	-4	4	-3
Accruals etc.	-14	-9	30	-8	-13	9
<b>Central government net lending</b>	<b>74</b>	<b>44</b>	<b>-30</b>	<b>-17</b>	<b>10</b>	<b>49</b>
<b>Per cent of GDP</b>	<b>2.4</b>	<b>1.4</b>	<b>-1.0</b>	<b>-0.5</b>	<b>0.3</b>	<b>1.4</b>

Figure 1. CENTRAL GOVERNMENT NET LENDING AND BUDGET BALANCE



## Monthly forecasts

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

Table 5. CENTRAL GOVERNMENT NET BORROWING REQUIREMENT PER MONTH

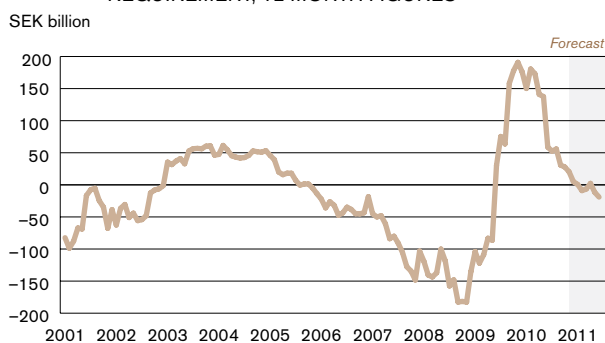
SEK billion	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Primary borrowing requirement	-12.8	90.9	-22.5	-55.1	-7.8	-19.0	-38.5	16.6
Interest on central government debt	-1.5	11.5	-1.8	1.7	5.7	-1.9	4.4	0.0
<b>Net borrowing requirement *</b>	<b>-14.3</b>	<b>102.4</b>	<b>-24.2</b>	<b>-53.5</b>	<b>-2.0</b>	<b>-20.9</b>	<b>-34.1</b>	<b>16.6</b>

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

Variations from month to month are largely explained by variations in tax income, tax refunds and repo transactions by agencies. Repo transactions by agencies increase the net borrowing requirement by SEK 9.5 billion in December and reduce it by SEK 9.5 billion in January.

The large borrowing requirement in December is normal for this month and is attributable to the Debt Office's net lending, excess tax and interest payments on central government debt, which are seasonally high.

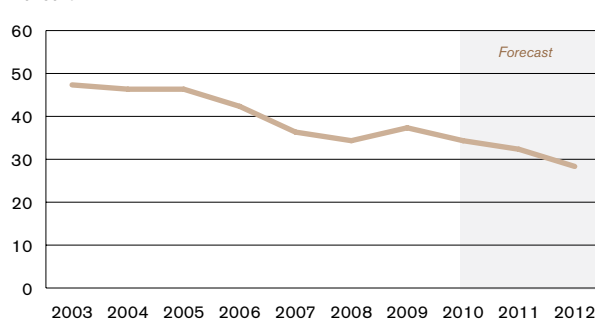
Figure 2. CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 12-MONTH FIGURES



## Reduced central government debt

Central government debt will be SEK 1,155 billion at the end of 2010 and SEK 1,116 billion and SEK 1,038 billion at the end of 2011 and 2012. This corresponds to 35, 33 and 29 per cent of GDP.

Figure 3. GOVERNMENT DEBT, SHARE OF GDP, 2003-2012<sup>1</sup>



<sup>1</sup> Non-consolidated central government debt according to the official definition divided by nominal GDP.

Compared with 2009, central government debt will decrease by SEK 34 billion this year. We have assumed that the short-term investments will be zero at the end of 2010, see Table 1.

We estimate the central government debt including the Debt Office's financial assets in foreign currency at SEK 1,060 billion at the end of 2010 and SEK 1,021 billion and SEK 943 billion respectively at the end of 2011 och 2012. This corresponds to 32, 30 and 26 per cent of GDP.



## CHANGES IN ITEMS IN THE NET BORROWING REQUIREMENT

The table shows which parts of the net borrowing requirement that change the most between 2008 and 2012. 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 2010 means that taxes increased by SEK 43 billion compared with 2009.

SEK billion	2008	2009	2010	2011	2012	
Taxes	-50	81	-43	-76	-58	
Payment to local government	60	45	-29	17	35	
Sales of state-owned assets	-59	77	0	0	-35	
Labour market	-5	1	2	5	-4	
Social Insurance Agency	18	4	16	4	14	
EU contribution	5	-8	4	1	1	
Debt Office's net lending excl. on-lending	-21	41	-18	12	-9	
On-lending	0	96	-96	0	0	
Interest on central government debt	-11	-2	-11	14	-14	
Other	30	-24	4	1	10	
<b>Total change from previous year</b>	<b>-32</b>	<b>311</b>	<b>-171</b>	<b>-23</b>	<b>-60</b>	
	2007	2008	2009	2010	2011	2012
Net borrowing requirem.	-103	-135	176	5	-18	-78

Taxes, sales of state-owned assets, local government disbursements and the Debt Office's net lending have the greatest effect between years.

This year, municipal payments decrease by SEK 29 billion kronor after having increased by SEK 45 billion kronor in 2009. (These effects are reinforced by payments being made in 2009 that relate to 2010). Furthermore, the Debt Office's net lending will not be as large as in 2009, as on-lending decreases. Taxes increase after having fallen sharply in 2009.

Next year, taxes will increase by SEK 76 billion. This is counteracted by increased payments to the municipalities, the Debt Office's net lending and interest on central government debt.

Taxes will continue to grow in 2012, although at a calmer pace than in 2011. Our assumption of sales revenues of SEK 35 billion contributes to the reduced net borrowing requirement.

## 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	Effect on net borrowing requirement
Increase by one per cent/ percentage point	
Gross wages <sup>1</sup>	-5
Household consumption in current prices	-2
Unemployment, old definition	4
Interest rate level in Sweden	4
International interest rate level	2
TCW index	0.5

<sup>1</sup> Municipal taxes on 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	2012
Gross wages <sup>1</sup>	2.3	3.6	4.2
Household consumption <sup>1</sup>	4.2	3.7	4.2
Investments <sup>1</sup>	4.9	7.5	7.7
Exports <sup>1</sup>	9.6	7.3	6.0
Unemployment, new definition	8.5	8.0	7.6
Unemployment, old definition	6.3	6.1	5.8

<sup>1</sup> Annual percentage change, current prices.

# Borrowing continues to decrease

The issue volume in nominal government bonds decreases to SEK 2 billion per auction in 2011 and 2012. T-bill borrowing is in principle unchanged compared with the June forecast. Borrowing in inflation-linked bonds remains at SEK 9 billion in 2010 and SEK 6 billion in 2011-2012. Next year, we will introduce a new nominal and a new inflation-linked bond, both maturing in June 2022. Borrowing in foreign currency bonds will decrease by SEK 25 billion in 2011 compared with the previous forecast.

Table 1. FUNDING 2009–2012

SEK billion	2009	2010	2011	2012
Net borrowing requirement	176	5	-18	-78
Change in the cash balance and retail market borrowing <sup>1</sup>	-138	41	-20	28
Maturing bonds and buybacks	181	42	122	118
Of which				
Government bonds	121	7	52	94
Foreign currency bonds	59	36	70	25
<b>Funding requirement</b>	<b>218</b>	<b>88</b>	<b>83</b>	<b>68</b>
T-bill borrowing, net <sup>2</sup>	-24	-12	-13	-5
Bond borrowing, gross <sup>3</sup>	243	100	97	73
Of which				
Nominal government bonds	110	58	40	38
Inflation-linked bonds	3	9	6	6
Foreign currency bonds, on-lending <sup>4</sup>	81	26	51	29
Foreign currency bonds, excluding on-lending	49	6	0	0
<b>Funding</b>	<b>218</b>	<b>88</b>	<b>83</b>	<b>68</b>

<sup>1</sup> Change in outstanding deposits, liquidity bills, repos and commercial paper. Retail market borrowing is assumed to be unchanged from 31 October 31 October 2010.

<sup>2</sup> The net of issues (excluding exchanges) and maturities.

<sup>3</sup> Nominal amounts. Premiums and discounts (including inflation compensation) and exchange rate differences on issues are included in the net borrowing requirement as interest payments.

<sup>4</sup> Including re-funding of previous on-lending.

Central government borrowing requirement<sup>1</sup> decreases both this year and 2011 compared with our forecast in June. This difference is mainly explained by the reduction of the net borrowing requirement. In 2011, maturing loans and buybacks will be less than in our previous forecast. This is because we no longer plan any buybacks in loan 1046.

From a situation with a large budget deficit and a large funding requirement during last year, we are now again entering a period with budget surpluses. When the funding

<sup>1</sup> 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.

requirement decreases, we give priority to borrowing in nominal government bonds. Disregarding on-lending to the Riksbank, we have reduced borrowing in foreign currency bonds to zero in the coming years.

The issue volume of nominal government bonds decreases from SEK 2.5 to SEK 2 billion per issue from next year onwards. Borrowing in T-bills and inflation-linked bonds has already been adapted to a smaller funding requirement and remains at low levels.

The forecast for the net borrowing requirement for 2012 contains assumed sales income of SEK 35 billion. It is very difficult at present to assess how large this sales income will be and when it will be received.

When we planned funding, we have estimated a total of SEK 35 billion in sales income for the whole forecast period. In case some of the sales income were to be received during 2011 and not 2012, this need not mean a change in the issue plan.

Table 2. FUNDING COMPARED WITH PREVIOUS FORECAST

Funding	2010		2011		2012
Forecast in SEK billion	Nov	(Jun)	Nov	(Jun)	Nov
Nominal government bonds	58	(58)	40	(53)	38
Inflation-linked bonds	9	(9)	6	(9)	6
T-bills, net <sup>1</sup>	-12	(10)	-13	(-35)	-5
Foreign currency bonds, on-lending <sup>2</sup>	26	(21)	51	(56)	29
Foreign currency bonds, excluding on-lending	6	(6)	0	(20)	0
<b>Funding, total</b>	<b>88</b>	<b>(105)</b>	<b>83</b>	<b>(100)</b>	<b>68</b>

<sup>1</sup> Net of issues and maturities

<sup>2</sup> Including re-funding of previous on-lending

In June, we estimated that the T-bill stock would increase slightly in 2010 and then decrease in 2011. A large part of the reduction has already taken place this year instead. The size of the T-bill stock at the end of 2011 is unchanged compared with the previous forecast.

Table 3. IMPORTANT EVENTS IN 2011

Date	Time	Activity
9 December	09:30	Press release on exchanges to a new nominal bond 1054, 1 June 2022
2 February	16:20	Terms for 1054
9 February	11:00	First issue of 1054
10-15 February	11:00	Exchanges to 1054
18 May	09:30	Central Government Borrowing – Forecast and Analysis 2011:1
25 August	09:30	Press release on exchanges to a new inflation-linked bond 3108, 1 June 2022
8 September	16:20	Terms for 3108
15 September	11:00	First issue of 1038
16-20 September	11:00	Exchanges to 3108
26 October	09:30	Central Government Borrowing - Forecast and Analysis 2011:2

As it is election year this year, the Government presented its Budget Bill on 12 October. In order to take into account the content of the budget, we have published this Central Government Borrowing report later than we usually do. We normally publish three reports per year, the first at the end of February. As it is a relatively short period to February, we will postpone publication to May. This forecast will replace both the February and June reports. We will thus only publish two reports in 2011.

## Reduced issue volume in nominal government bonds

The issue volume in nominal government bonds decreases from SEK 2.5 to SEK 2 billion per auction as from next year. The total issue volume will amount to SEK 40 billion in 2011 and SEK 38 billion in 2012.

Table 4 shows the change in stock and exposure in bond interest rates adjusted for 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	2012
Nominal government bonds, issues	110	58	40	38
Maturities, buybacks and exchanges	-114	-6	-47	-66
Change in nominal government bond stock	-5	53	-7	-28
Swaps, net <sup>1</sup>	-19	-1	6	22
Nominal government bonds and swaps, net change	-24	52	-1	-5

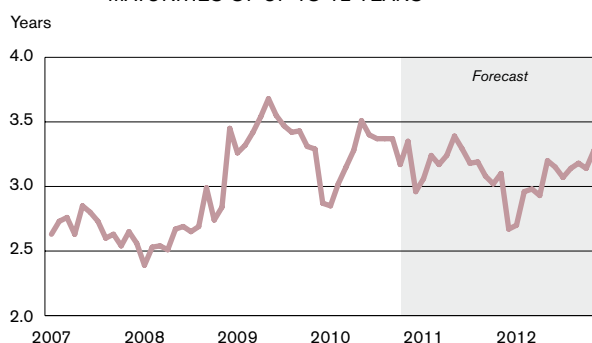
<sup>1</sup> Net of newly-issued and maturing swaps.

The maturity target for the nominal krona debt refers to instruments with maturities of up to 12 years. The Government has decided, in accordance with the Debt Office's proposal, that the maturity target for this part of the debt should be 3.1 years in terms of the interest rate refixing period. This is a shortening compared with the previous

target of 3.2 years. The reason given for the proposal is that the swap volume should be slightly greater to increase flexibility.<sup>1</sup> When the swap volume is larger, the interest rate refixing period will be shorter. A volume restriction of SEK 65 billion applies to maturities of over 12 years.

The interest rate refixing period for the nominal krona debt with maturities of up to 12 years will average 3.1 years in 2011 and 2012. Figure 1 shows our forecast for the interest rate refixing period on a monthly basis.

Figure 1. FORECAST FOR THE INTEREST RATE REFIXING PERIOD OF THE NOMINAL KRONA DEBT FOR MATURITIES OF UP TO 12 YEARS



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

## Priority given to borrowing in nominal government bonds

The reduced funding requirement means that borrowing will be concentrated to nominal government bonds. We normally issue bonds with two-, five- and ten-year maturities to support liquidity in the most traded bonds. Among these, priority is given to bonds with ten-year maturity; more than half of the issues will be made with this maturity.

On 9 February next year, we will introduce a new ten-year bond, 1054, maturing on 1 June 2022. In order to build up volume in the new loan, there will be an opportunity during the four bank days directly after introduction to exchange previously issued government bonds for this loan. We will provide more detailed information about the exchanges in

<sup>1</sup> Increased flexibility means that we are better able to handle the borrowing requirement being, for example, larger than expected. In such a scenario, T-bill borrowing will initially increase and the maturity of the debt will be shortened. The swap volume can be reduced to counteract the shortening of maturity. However, this is not possible if the planned swap volume is already small to start with. Due to the reduced borrowing requirement and desired allocation between government bonds and T-bills, the swap volume for 2011 is already so small that it cannot be further reduced. In order to maintain readiness for action, a slight increase in the swap volume would therefore be desirable. An increase of this kind would mean that the interest rate refixing period would become slightly shorter and it is therefore proposed that there be a slight reduction in the target.

a press release at the beginning of December this year. 1054 will be a reference loan from June 2011. Loan 1047 will remain a ten-year reference loan until then.

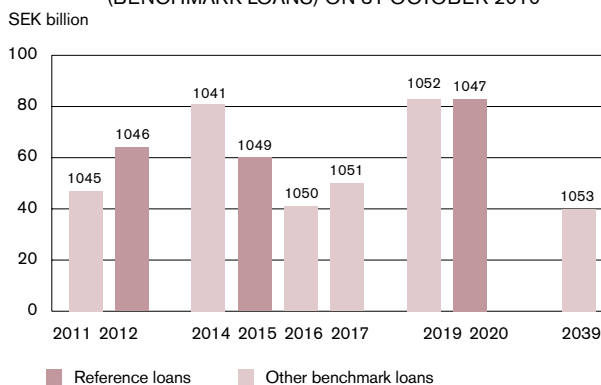
A couple of years ago, the possibility of exchanging short bonds for T-bills ceased. During a transitional period, we have instead offered buybacks of a limited portion of the bonds which have become shorter than a year. In our view, there is little interest in this and we are therefore not planning any buybacks of 1046. The previous forecast included planned buybacks of 1046 corresponding to SEK 15 billion.

TABLE 5. EXCHANGES OF REFERENCE LOANS<sup>1</sup> IN THE ELECTRONIC INTERBANK MARKET

Date for exchanges of reference loans (IMM date)	2-year	5-year	10-year
15 Dec 2010		1050	
16 Mar 2011	1041		
15 Jun 2011			1054
21 Dec 2011		1051	

<sup>1</sup> 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 2. OUTSTANDING NOMINAL GOVERNMENT BONDS (BENCHMARK LOANS) ON 31 OCTOBER 2010



## Slightly reduction in borrowing in T-bills

Borrowing in T-bills has been previously adapted to a lower funding requirement and only decreases slightly therefore. The T-bill stock decreases from an estimated SEK 105 billion to SEK 99 billion kronor on average this year. In 2011, the average stock is expected to be SEK 91 billion, compared with SEK 85 billion in the June forecast. In 2012, the stock is expected to be SEK 72 billion on average.

The T-bill stock will amount to SEK 87 billion kronor at the end of 2010. At the end of 2011, the stock is estimated to be SEK 90 billion, the same amount that we estimated in

the June forecast. At the end of 2012, the stock is expected to be SEK 85 billion.

On average, we will issue T-bills for SEK 10 billion per auction during 2011 and 2012. However, the volume will vary as the short-term borrowing requirement is very unevenly distributed over the months of the year. Notwithstanding this, our ambition is to provide the market with a continuous supply of bills.

The auction dates are shown in the section on market information.

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

SEK billion	2009	2010	2011	2012
T-bill borrowing, net <sup>1</sup>	-24	-12	-13	-5
Interest swaps, net	-13	0	-6	-14
<b>T-bill stock and swaps, net change</b>	<b>-37</b>	<b>12</b>	<b>-19</b>	<b>-19</b>

<sup>1</sup> Net of issues (excluding exchanges) and maturities.

## Slightly increased swap borrowing

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.

The swap volume increases to SEK 33 billion in 2010 compared with SEK 30 billion in the June forecast. In 2011, the swap volume is estimated to amount to SEK 35 billion, which is also an increase compared with the June forecast. With the current maturity target, the swap volume is expected to be zero in 2012.

The outstanding stock of interest rate swaps increases by SEK 1 billion during 2010 and then decreases during 2011 and 2012, 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	2012
Interest rate swaps <sup>1</sup>	5	23	12	0
Foreign currency swaps <sup>2</sup>	50	10	23	0
<b>Swaps, total</b>	<b>55</b>	<b>33</b>	<b>35</b>	<b>0</b>
Swaps, maturities	-36	-32	-41	-22
<b>Swaps, net change</b>	<b>19</b>	<b>1</b>	<b>-6</b>	<b>-22</b>

<sup>1</sup> Interest rate swaps from long to short interest rates exposure in kronor.

<sup>2</sup> Interest rate swaps from long to short interest rate exposure combined with swaps to foreign currency.

Figure 3. NOMINAL GOVERNMENT BONDS AND SWAPS  
SEK billion

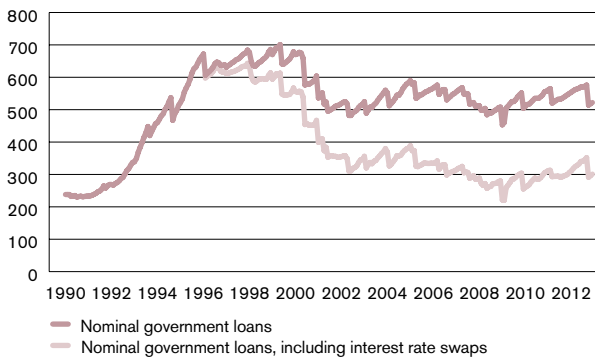
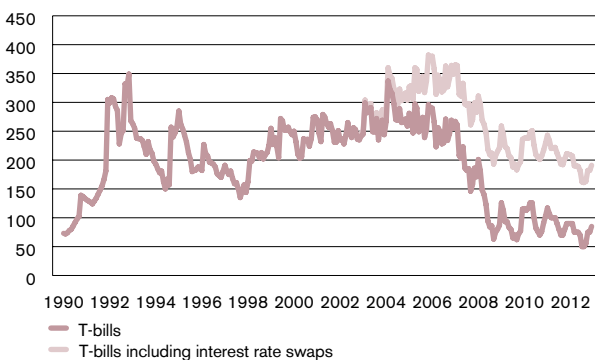


Figure 4. T-BILLS AND INTEREST RATE SWAPS  
SEK billion



## Unchanged inflation-linked borrowing

Borrowing in inflation-linked bonds is unchanged compared with the June forecast. The issue volume is SEK 9 billion in 2010 and SEK 6 billion in 2011 and 2012. We will continue to issue SEK 750 million per auction.

As the issue volume of inflation-linked bonds is already small, we have limited possibility of adapting inflation-linked borrowing when the funding requirement decreases. We have chosen to retain the issue volume of SEK 6 billion in

### 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.

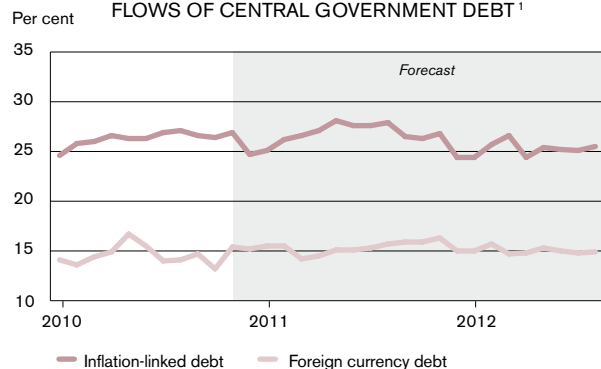
Normally, we follow our established issue plan. However, should we receive clear indications that we should deviate from the plan, we are able to do so.

the next two years despite the share of inflation-linked debt exceeding the target of 25 per cent of the total debt.

A further reduction of the issue volume would have little effect on the share but risk leading to a marked deterioration in the liquidity in the inflation-linked bond market. Furthermore, the shortest inflation-linked bond, 3106, matures during the forecast period which will reduce the share of inflation-linked debt.

The share of inflation-linked debt of total borrowing will average 26 per cent during 2011 and 2012. The maturity will decrease during the coming year and is expected to be around 8.4 years in December 2011.

Figure 5. THE SHARE OF INFLATION-LINKED AND FOREIGN CURRENCY DEBT OF THE AGGREGATE CASH FLOWS OF CENTRAL GOVERNMENT DEBT<sup>1</sup>



<sup>1</sup> 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.

### 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.

### A new ten-year inflation-linked bond in autumn 2011

As we wrote in the previous Central Government Borrowing Report, we are planning to issue a new inflation-linked loan in autumn 2011. The new inflation-linked bond, loan 3108, will be introduced on 15 September next year. The loan has the same maturity date as the nominal bond 1054, i.e. 1 June 2022. During the three days immediately after introduction, we will hold exchange auctions to build up volume in the new bond. In these auctions, we offer an opportunity to exchange loans 3105, 3102 and 3104 for loan 3108.

We have still not determined the exchange volumes in the particular loans but we have preliminarily assumed in the forecast that we will issue a total of SEK 15 billion in loan 3108 in exchange auctions. We will provide more detailed information about these exchanges on 25 August 2011.

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

During 2011 and 2012, we will issue in all outstanding loans except 3106 but give priority to 3107 and 3108 as we wish to increase the outstanding volume in the new loans. The choice of bond for each particular auction will mainly comply with an internal issue plan decided in advance.

We have previously planned to exchange around SEK 5 billion per year in loan 3105 for longer bonds during the years 2011 to 2013 with a view to reducing the outstanding stock in the loan. At present, we consider that there is little interest in this type of extension exchanges. Disregarding exchanges in connection with introduction of new loans, we are not therefore expecting to hold exchange auctions in loan 3105 in the coming years.

### Reduced bond borrowing in foreign currency

Bond borrowing in foreign currency totals SEK 32 billion kronor this year and SEK 51 billion next year. This means a reduction of SEK 25 billion for 2011 compared with the previous forecast. During 2012, we plan to issue bonds in foreign currency for a total of SEK 29 billion.

In the light of the reduced funding requirement, we are reducing borrowing in foreign currency bonds in the coming years. We will not raise any foreign currency loans in the regular central government management during the forecast period. During 2011 and 2012, we will only raise foreign currency loans to re-fund maturing loans to the Riksbank<sup>1</sup>.

<sup>1</sup> In the forecast for currency borrowing, we assume for calculation purposes that the bonds issued for on-lending to the Riksbank will be re-funded. Decisions on this will be based on the Riksbank's need to maintain the size of the foreign currency reserve.

The June forecast of on-lending for 2010 included the equivalent to SEK 11 billion in loans to Iceland and Latvia. We are no longer expecting the countries to make use of the credit facility in addition to the SEK 1.5 billion that Iceland has already borrowed. Despite this, there is a slight increase in bond borrowing for on-lending compared with the previous forecast. This is because we will issue a foreign currency bond to re-fund a loan to the Riksbank instead of re-funding the loan in the money market.

On-lending in 2011 expressed in kronor was slightly less than we estimated in June due to the krona having strengthened since then.

In the forecast for on-lending, we assumed that maturing loans raised for on-lending to the Riksbank will be replaced by new foreign currency loans. Depending on market conditions, it may come into question to fund part of the on-lending to the Riksbank via currency swaps instead. We would then issue T-bills with a maturity of longer than a year which would then be swapped for foreign currency. This would mean that borrowing in foreign currency bonds in this case would be less than the forecast of SEK 51 billion for 2011.

Table 8. FOREIGN CURRENCY BORROWING<sup>1</sup> 2009–2012

SEK billion	2009	2010	2011	2012
Foreign currency bonds, borrowing	130	32	51	29
Of which				
On-lending <sup>2</sup>	81	26	51	29
Excluding on-lending	49	6	0	0
Maturities, bonds	-59	-36	-70	-25
<b>Change in foreign currency bonds</b>	<b>71</b>	<b>-4</b>	<b>-19</b>	<b>5</b>
Currency swaps, net	32	2	0	-9
<b>Change in foreign currency debt, including swaps, net</b>	<b>103</b>	<b>-2</b>	<b>-19</b>	<b>-4</b>

<sup>1</sup> Nominal values.

<sup>2</sup> Including re-funding of previous on-lending

### 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.

## 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 borrowing and krona/swap funding depends on the interest rate terms we obtain.

Foreign currency borrowing 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 time as in the initial currency exchange. We can then pay the maturing bond with the krona amount.

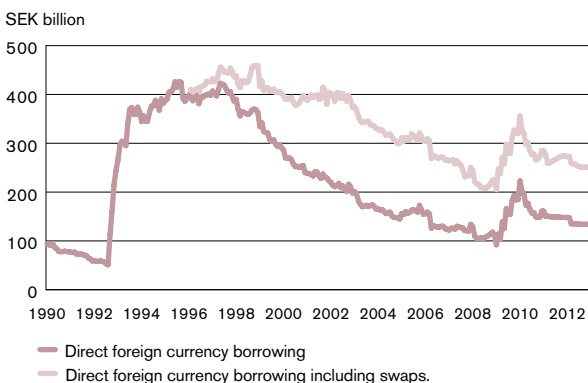
Borrowing through currency swaps accordingly provides the same currency exposure as if we had issued a bond directly in foreign currency.

### Swaps in foreign currency borrowing

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 need to increase the volume of currency swaps to maintain the share of foreign currency debt. The planned volume of currency swaps increases to SEK 10 billion this year and SEK 23 billion next year. We do not expect to make any currency swaps in 2012.

Figure 6. DEVELOPMENT OF THE FOREIGN CURRENCY DEBT



### Position for a stronger krona

In 2009, the Debt Office built a position for a stronger krona in relation to the euro corresponding to SEK 50 billion.

In September this year, we announced that this position would be wound up over time. The unwinding of the position will not follow a predetermined pattern or at specific levels. Market conditions such as liquidity, flows and volatility will affect the pace at which we proceed. We aim to act cautiously. The effect will be that the volumes will some weeks or certain months be small in comparison to the total market turnover.

On 31 October, the position amounted to SEK 40.5 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.

# Market information

Source: Swedish National Debt Office, unless otherwise stated

## NOMINAL GOVERNMENT BONDS, OUTSTANDING VOLUMES, 31 OCT 2010

Maturity date	Coupon %	Loan no.	SEK million
2011-03-15	5.25	1045	46,858
2012-10-08	5.50	1046	63,724
2014-05-05	6.75	1041	80,750
2015-08-12	4.50	1049	60,490
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	82,878
2039-03-30	3.50	1053	40,250
<b>Total benchmarks</b>			<b>549,169</b>
<b>Non-benchmarks</b>			<b>250</b>
<b>Total government bonds</b>			<b>549,419</b>

## T-BILLS, OUTSTANDING VOLUMES, 31 OCT 2010

Maturity date	SEK million
2010-17-11	14,999
2010-12-15	27,492
2011-01-19	15,779
2011-03-16	17,495
<b>Total T-bills</b>	<b>75,765</b>

## INFLATION-LINKED BONDS, OUTSTANDING VOLUMES, 31 OCT 2010

Maturity date	Coupon %	Loan no.	SEK million
2012-04-01	1.00	3106	30,624
2014-04-01	0.00	3001	4,954
2015-12-01	3.50	3105	56,914
2017-06-01	0.50	3107	15,795
2020-12-01	4.00	3102	45,791
2028-12-01	3.50	3103	4
2028-12-01	3.50	3104	52,391
<b>Total inflation-linked bonds</b>			<b>206,473</b>

## 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
2010-11-17	2010-11-24	2010-11-29
2010-12-01	2010-12-08	2010-12-13
2011-01-05	2011-01-12	2011-01-17
2011-01-19	2011-01-26	2011-01-31
2011-02-02	2011-02-09	2011-02-14
2011-02-02	2011-02-10*	2011-02-15
2011-02-02	2011-02-11*	2011-02-16
2011-02-02	2011-02-14*	2011-02-17
2011-02-02	2011-02-15*	2011-02-18
2011-02-16	2011-02-23	2011-02-28
2011-03-02	2011-03-09	2011-03-14
2011-03-30	2011-04-06	2011-04-11
2011-04-13	2011-04-20	2011-04-27
2011-04-27	2011-05-04	2011-05-09
2011-05-11	2011-05-18	2011-05-23
2011-05-25	2011-06-01	2011-06-07
2011-06-08	2011-06-15	2011-06-20

\* Exchange auction

## T-BILLS, AUCTION DATES

Announcement date	Auction date	Settlement date
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
2010-12-28	2011-01-04	2011-01-07
2011-01-12	2011-01-19	2011-01-21
2011-01-26	2011-02-02	2011-02-04
2011-02-09	2011-02-16	2011-02-18
2011-02-23	2011-03-02	2011-03-04
2011-03-09	2011-03-16	2011-03-18
2011-03-23	2011-03-30	2011-04-01
2011-04-06	2011-04-13	2011-04-15
2011-04-20	2011-04-27	2011-04-29
2011-05-04	2011-05-11	2011-05-13
2011-05-18	2011-05-25	2011-05-27
2011-06-01	2011-06-08	2011-06-10
2011-06-15	2011-06-22	2011-06-27

## INFLATION-LINKED GOVERNMENT BONDS, AUCTION DATES

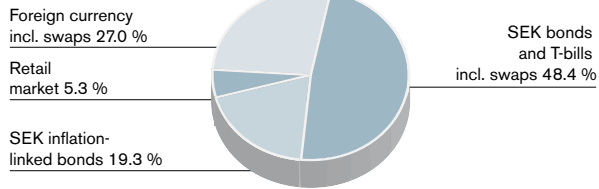
Announcement date	Auction date	Settlement date
2010-11-11	2010-11-18	2010-11-23
2010-11-25	2010-12-02	2010-12-07
2011-01-27	2011-02-03	2011-02-08
2011-03-10	2011-03-17	2011-03-22
2011-04-07	2011-04-14	2011-04-19
2011-05-05	2011-05-12	2011-05-17



### DEBT STRUCTURE

Total debt SEK 1,072 billion

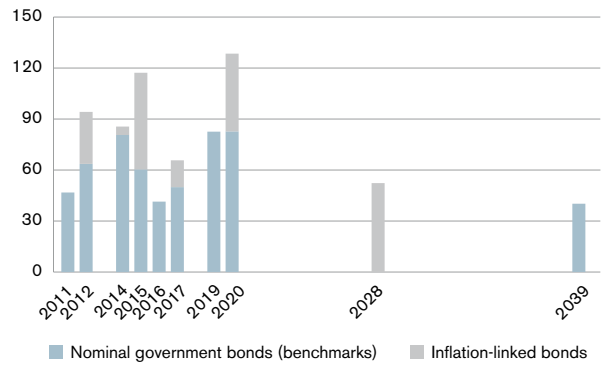
31 October 2010



### MATURITY PROFILE, SEK NOMINAL AND INFLATION-LINKED BONDS

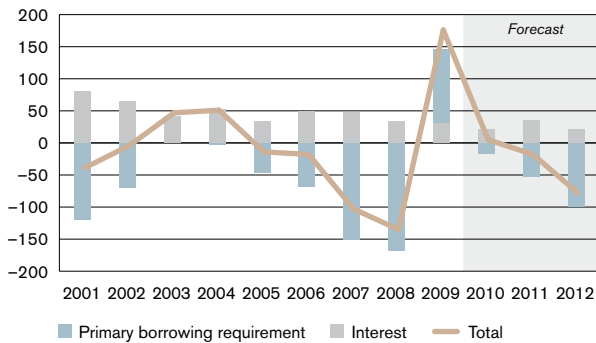
SEK billion

31 October 2010



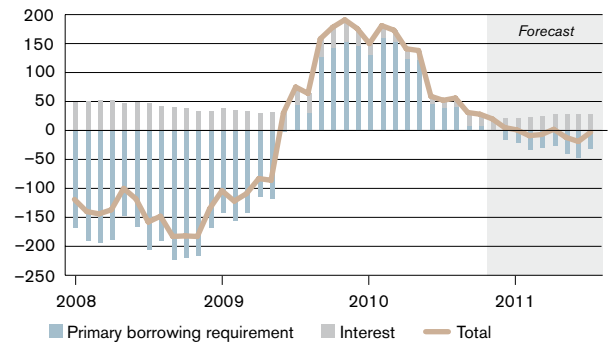
### CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 2001-2011

SEK billion

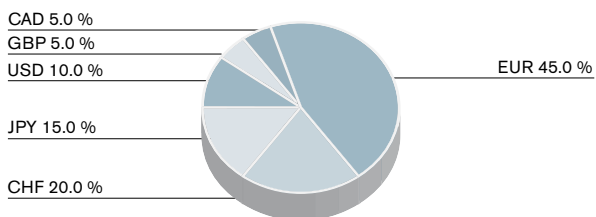


### CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 12 MONTHS

SEK billion

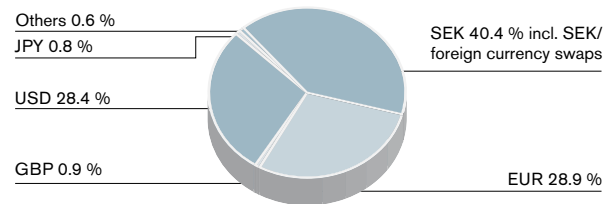


### BENCHMARK FOR THE FOREIGN CURRENCY DEBT COMPOSITION

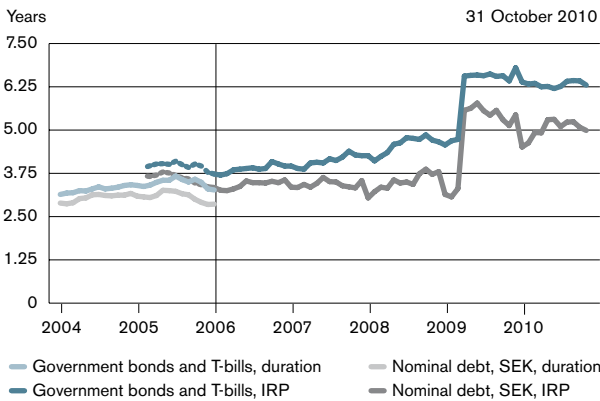


### FUNDING IN FOREIGN CURRENCIES

31 October 2010

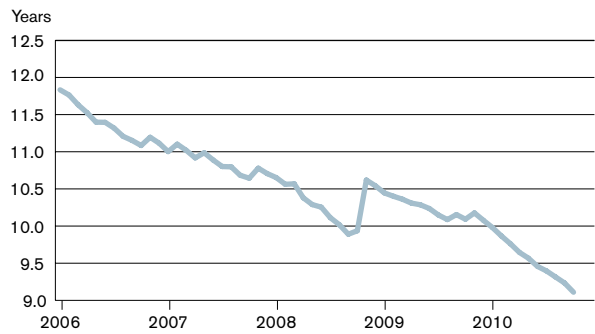


**INTEREST-RATE REFIXING PERIOD (IRP) AND DURATION OF SEK NOMINAL DEBT**

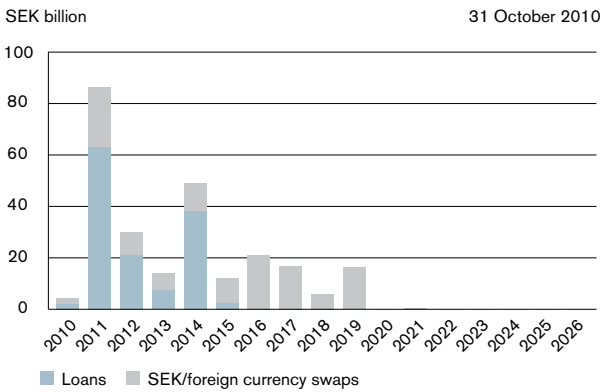


On 1 January 2006 the measure of maturity was changed from duration to interest-rate refixing period (IRP).

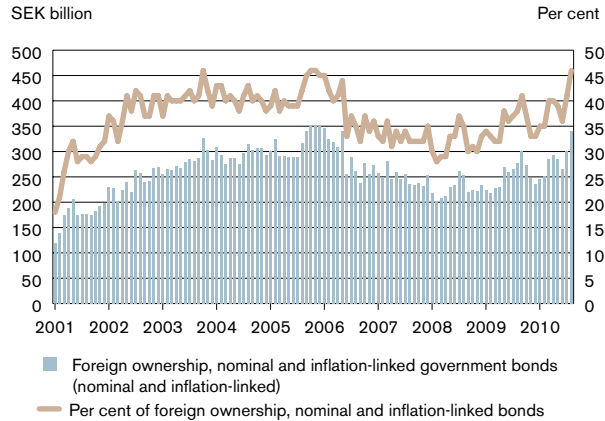
**INTEREST-RATE REFIXING PERIOD (IRP) OF INFLATION-LINKED DEBT**



**MATURITY PROFILE, FOREIGN CURRENCY LOANS EXCLUDING CALLABLE BONDS**

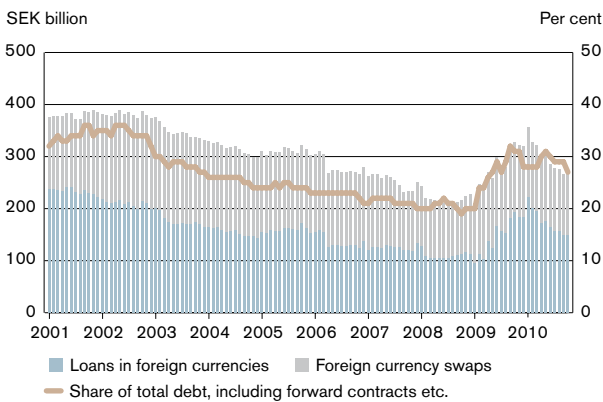


**FOREIGN OWNERSHIP OF NOMINAL AND INFLATION-LINKED GOVERNMENT BONDS INCLUDING REPO POSITIONS**

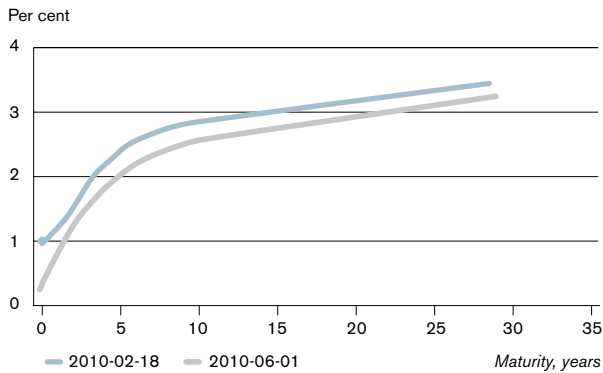


Source: Statistics Sweden

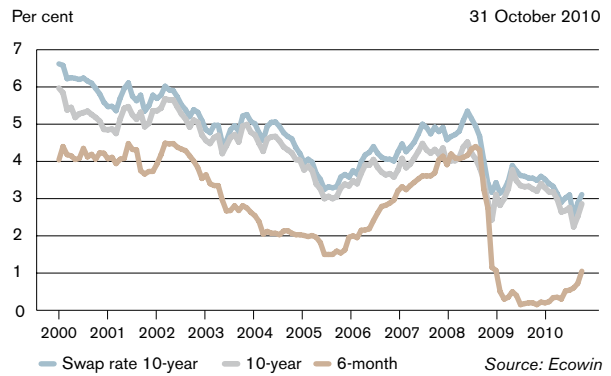
**CENTRAL GOVERNMENT DEBT EXPOSURE IN FOREIGN CURRENCIES**



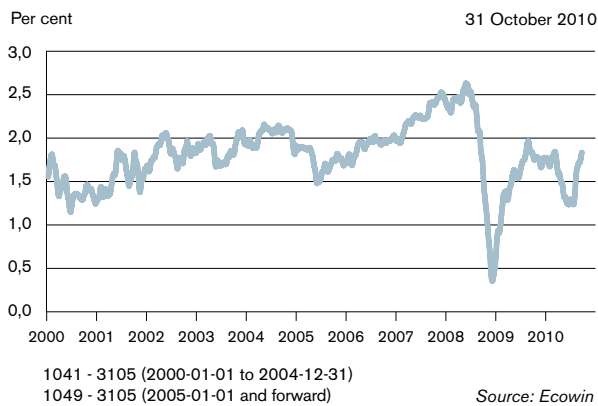
### YIELD CURVE, SWEDISH GOVERNMENT SECURITIES



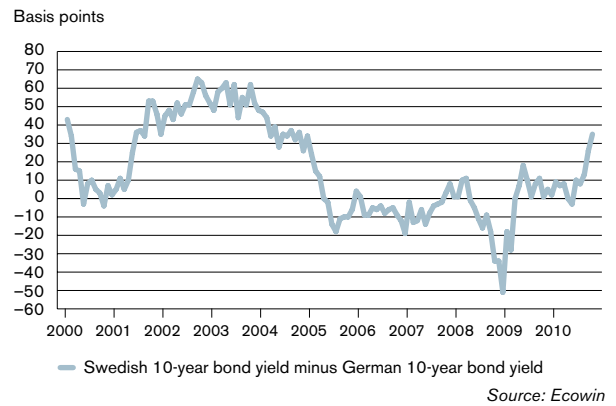
### HISTORICAL INTEREST RATES



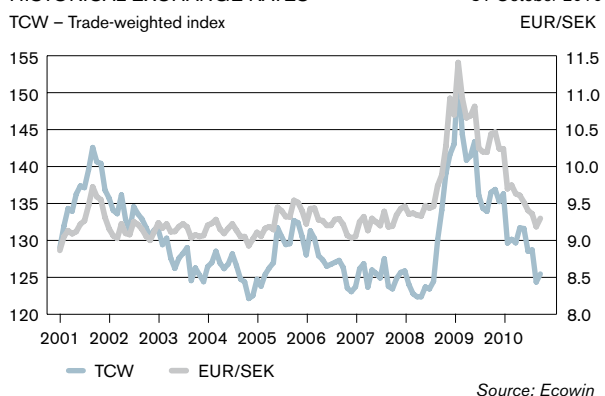
### BREAK-EVEN INFLATION



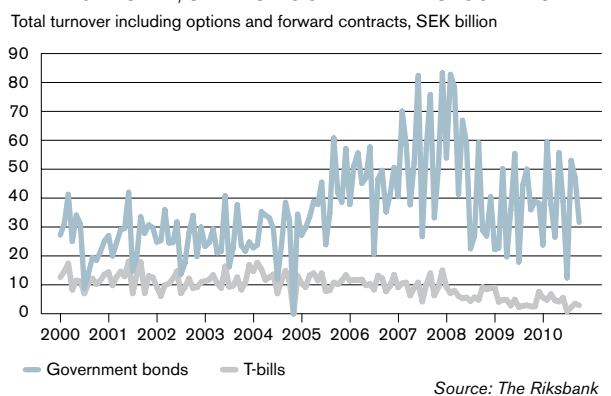
### INTEREST RATE SPREAD VS GERMANY, 10-YEAR



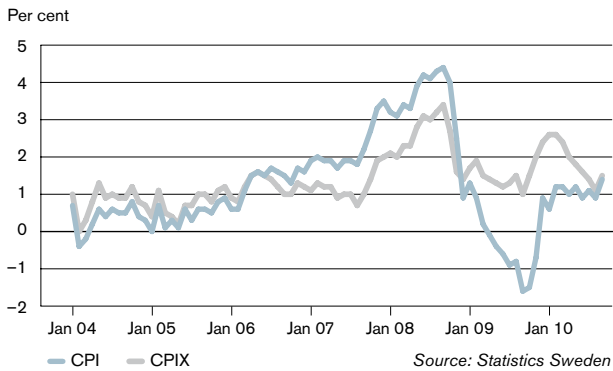
### HISTORICAL EXCHANGE RATES



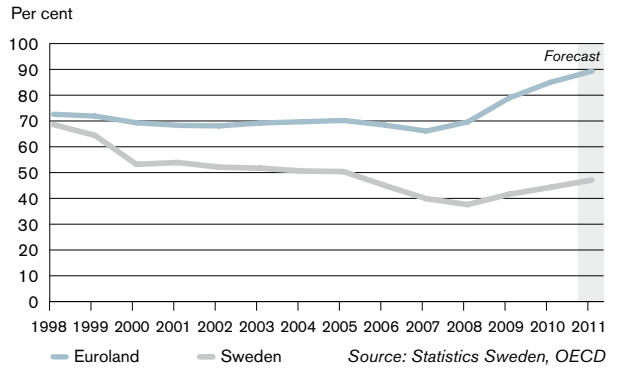
### DAILY TURNOVER, SWEDISH GOVERNMENT SECURITIES



INFLATION: CPIX AND CPI IN SWEDEN



GENERAL GOVERNMENT DEBT IN RELATION TO GDP



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.

In 2011 we will publish two reports, for reasons see page 9.

Publishing dates:

2011:1 Wednesday 18 May, at 09:30 am  
2011:2 Wednesday 26 October, at 09:30 am

For more information:

Thomas Olofsson, Head of Debt Management +46 8 613 47 82

Articles published earlier	Author	Issue
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Central government debt – a multifaceted concept	<i>Lars Hörngren</i>	2009:1
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Proposed guidelines 2007		2007:3
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