

Central Government Borrowing

Forecast and Analysis 2011:2

SUMMARY 1

SURPLUS DESPITE SLOWER GROWTH 2

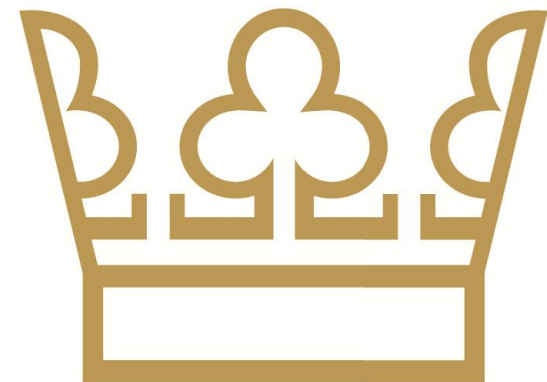
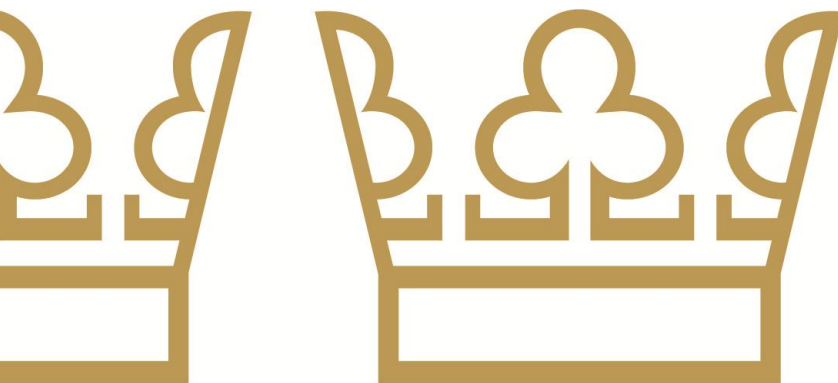
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In *Central Government Borrowing – Forecast and Analysis 2011:2*, we present forecasts for central government finances and borrowing in 2011, 2012 and 2013. In the first section, we present annual and monthly forecasts for the budget balance and the 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 usually 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

The Swedish central government budget continues to show a surplus, despite a weakened economic recovery. According to the new Debt Office forecast, the surpluses will be SEK 69 billion in 2011, SEK 25 billion in 2012 and SEK 29 billion in 2013. The weaker economic trend has an effect on central government finances mainly through lower growth in tax revenues next year. Central government borrowing will therefore increase slightly compared with the previous forecast.

Recovery in the Swedish economy has slowed down as a result of the problems in the euro zone. Weakening demand in the rest of the world is being passed on to Sweden and worsening the outlook for the economy in the coming years. Despite the slowdown, Swedish central government finances continue to be stable. This is due to relatively low expenditure pressure, a prudent fiscal policy and some continued increase in important tax bases, such as consumption and gross wages.

Lower surplus in 2011 and 2012

The budget surplus for 2011 is SEK 30 billion lower than in the previous forecast made in May. This is mainly due to lower tax revenues and the fact that we no longer expect further sales of central government shareholdings.

The forecast for 2012 has been adjusted downwards by SEK 43 billion, given that the weaker economic development will lead to lower growth in tax revenues and increased expenditure on unemployment. In addition, we no longer expect any income from sales of state-owned assets.

Towards the end of the forecast period the economy will again grow somewhat faster and the budget surplus in 2013 will increase in comparison with 2012. We expect that fiscal policy reforms totalling SEK 15 billion will be implemented in 2013.

Central government debt falls below 30 per cent of GDP

The budget surpluses mean that central government debt will continue to shrink. It is expected to be SEK 1,086 billion at the close of 2011, SEK 1,061 billion at the close of 2012 and SEK 1,032 billion at the close of 2013. This corresponds to 31, 30 and 28 per cent of GDP.

Slightly increased borrowing

Central government borrowing will increase compared with the previous forecast, due to the lower budget surpluses in 2011 and 2012. As before, the Debt Office will concentrate borrowing to nominal government bonds.

The issue volume of nominal government bonds will increase to SEK 35 billion in 2012 compared with SEK 22 billion in the May forecast. In 2013 we plan to borrow SEK 33 billion through nominal government bonds.

Next year borrowing in T-bills will also increase, while borrowing in inflation-linked bonds will be unchanged compared with the May forecast. Apart from on-lending to the Riksbank we do not expect to issue any foreign currency bonds in the next two years.

Risk of a deeper crisis

The Debt Office forecast is based on a relatively limited economic slowdown and orderly, albeit long-drawn-out, management of the problems in the euro zone. However, there is an obvious risk that the crisis will deepen and that the economic outlook will be considerably worse.

A sensitivity calculation based on zero growth in 2012 shows that the budget balance would deteriorate by about SEK 50 billion in the absence of further active fiscal policy measures. Up to half of this would then be funded through increased borrowing in bonds. Even given such a scenario, bond borrowing would thus not exceed normal levels in the 2000s.

Surplus despite slower growth

The Swedish budget shows a surplus every year during the forecast period despite the fact that the European debt crisis and receding demand impair growth in the years to come. The surplus amounts to SEK 69 billion for 2011 and SEK 25 billion and SEK 29 billion for 2012 and 2013 respectively. The weaker economic development has an effect on central government finances above all through lower growth in tax income in 2012. The forecast for 2013 includes assumed fiscal easing of SEK 15 billion

TABLE 1 CENTRAL GOVERNMENT NET BORROWING REQUIREMENT ¹ AND CENTRAL GOVERNMENT DEBT

SEK billion	2010	2011	2012	2013
Central government debt at the beginning of the year	1 189	1 151	1 086	1 061
Primary borrowing requirement excluding on-lending and sales	-19	-67	-45	-56
Sales of state-owned assets	0	-23	0	0
Interest on central government debt	23	33	20	26
Net borrowing requirement excl. on-lending	4	-57	-25	-30
On-lending ²⁾	-3	-12	0	1
Net borrowing requirement	1	-69	-25	-29
Debt adjustments	-35	4	0	0
Short-term investments (annual change)	-4	0	0	0
Change in central government debt	-38	-65	-25	-29
Central government debt at the end of the year ³⁾	1 151	1 086	1 061	1 032
The Debt Office's financial assets ⁴⁾	-93	-82	-82	-83
Central government debt including the Debt Office's financial assets	1 058	1 005	980	950

¹ 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.

² Refers to lending to the Riksbank and other states.

³ Unconsolidated central government debt according to the official definition.

⁴ Financial assets include short-term investments and on-lending.

Our new forecast for the budget balance in 2011 is a surplus of SEK 69 billion. For 2012 and 2013 we expect the budget surplus to be SEK 25 and 29 billion respectively, despite a weaker development of the economy.

The fact that central government finances continue to be stable can be explained by a relatively low pressure on expenditures, a cautious fiscal policy and some increase in important tax bases such as consumption and the gross wage sum.

The growth outlook for Sweden has deteriorated compared with our previous forecast. Concerns about the current debt crises and receding demand affect central

government finances through lower tax income and higher expenditures related to the labour market. Despite the weaker development we estimate a budget surplus throughout the forecast period. Our forecast is based on the assumption that there will be an orderly although protracted handling of the debt problems in Europe.

The budget surplus for 2011 decreases by SEK 30 billion compared with the previous forecast. Lower tax income explains SEK 13 billion, of which the main part concerns taxation of capital gains from 2010. An additional explanation for the decrease is our assumption from the May forecast that the government would sell shares in Nordea for an additional SEK 15 billion this year. We now assess that there will not be any further sales of state-owned assets during the forecast period due to the uncertain situation on the stock market.

TABLE 2 CHANGES SINCE LAST FORECAST 2011-2012

SEK billion	2011	2012
Forecast May 2011	-99	-68
Changes in terms of net borrowing requirement ¹⁾		
Taxes	13	32
Payments to local government	0	-2
Labour market	1	6
Social insurance	1	-1
Sales of state-owned assets	15	25
Share dividends	-1	2
Infrastructure		2
Fiscal policy easing		-20
Net lending excl. on-lending	3	3
On-lending	-3	-1
Interest payments	2	0
Other	-2	-4
Total	30	43
Forecast October 2011	-69	-25

¹ A minus means that the net borrowing requirement decreases and plus means that it increases. The net borrowing requirement is equal to the budget balance with the opposite sign.

For 2012 the budget surplus is SEK 43 billion lower than in the previous forecast. One explanation is that the weaker economic development leads to decreasing growth in tax income. At the same time we have reduced our assumption regarding sales of state-owned assets by

SEK 25 billion. To some extent, lower tax income and lack of income from sales of state-owned assets is counteracted by the fact that we overestimated the size of the fiscal easing for 2012 in our previous forecast; see the section "New budget for 2012".

At the end of the forecast period the economy grows somewhat faster again and with that the budget surplus increases during 2013. The underlying improvement in the budget balance is actually even stronger as we have assumed fiscal easing totalling SEK 15 billion for this year.

The economic recovery slows down

The recovery in the Swedish economy has slowed down due to the current debt crisis in the euro zone. Receding demand in Sweden and elsewhere around the world worsens the growth expectations for the years to come. We estimate the growth in GDP to be approximately 4 per cent this year, slightly more than 1.5 per cent in 2012 and just above 2 per cent in 2013.

Concerns during the last few months about the debt situation in the Euro zone have deepened. Many countries have large imbalances and must therefore strengthen their public finances and reduce their current account deficits in a situation when the global economy is faltering. This has created increased uncertainty about the future which has led to falling stock markets around the world. The conditions for global growth have therefore deteriorated, which also affects the Swedish economy.

The recent uncertainty has made households and businesses gloomier about the future. This is illustrated in different confidence indicators. For households, lower confidence leads to a more cautious consumption path during the forecast period despite increasing disposable income¹ and a savings ratio which is already high in the initial position. Falling stock markets and uncertainty about the development of real estate prices contribute to the cautiousness of households. For companies the low confidence leads to investment decisions being postponed and employment plans being revised.

The view of the future has probably also been affected by the great attention regarding the problems in the euro zone. In addition, with regard to the uncertainty of the economic development, the Budget Bill for 2012 only contained a smaller part of the previously promised reforms.

The recovery of the Swedish labour market has been relatively rapid since the large fall in GDP in 2008–2009. However, the trend with slowly decreasing unemployment now appears to give way. There are signs that the

increase in employment is slackening and that firms are more cautious in their employment plans. This is reflected in, among other things, a slower increase in the number of reported vacancies. Together with expectations of weaker demand in the economy in the near future this leads to an upward revision of unemployment for 2012 to 7.6 per cent as an annual average. For 2013 unemployment is 7.3 per cent.

The weaker development on the labour market in 2012 leads to a moderate increase in the number of hours worked. However, the gross wage sum grows relatively quickly since we estimate that hourly wages will increase by slightly more than 3 per cent next year. During 2013 the gross wage sum increases somewhat faster due to a larger number of hours worked.

Our forecast is based on the assumption of a relatively limited slowdown of economic growth and that the problems within the European monetary union can be handled and the confidence for the banking sector can be upheld. However, there is a risk that the crisis intensifies and that the economic development becomes substantially worse compared to our present assessment; see facts and figures "Example with lower growth and higher unemployment".

Should the economy develop more strongly or more weakly than our forecast, this will affect central government finances with a time lag of 4 to 8 quarters.

Stable central government finances despite a weakened economic recovery

Despite the obvious slowdown in growth the central government finances continue to show a surplus. A relatively low pressure on expenditures, a cautious fiscal policy and some increase in important tax bases such as consumption and the gross wage sum explain this development.

New budget for 2012

In September the government presented the Budget Bill for 2012. Our forecast is based on the assumption that the government in all essentials succeeds in having the budget adopted by the Riksdag despite the uncertain parliamentary situation.

The Budget Bill contained reforms totalling SEK 15 billion in 2012 and SEK 17 billion in 2013. In our previous forecast we assumed fiscal easing amounting to SEK 30 billion in 2012.

The largest reforms in the Budget Bill include SEK 5 billion for lowered VAT on restaurant and catering services, a labour market package totalling SEK 3.5 billion in 2012 and SEK 2 billion in 2013 as well as infrastructure

¹ We estimate that disposable income will increase by just over 4 per cent per year in current prices in 2012 and 2013.

investments to the value of SEK 6 billion over two years. According to our assessment we do not expect all the funds set aside by the government to be used. We estimate for example, based on previous experiences, that there are funds in the labour market package that will not be spent.

As recently as in the Spring Fiscal Policy Bill the government calculated to use SEK 17 billion in 2012 on a further augmentation of the in-work tax credit, a higher threshold for state income tax and lowered income tax for people aged 65 and above. These reforms have now been postponed due to the uncertain economic situation.

For 2013 we have assumed fiscal easing amounting to SEK 15 billion.

Sales of state-owned assets

Our forecast for sales of state-owned assets is SEK 23 billion for 2011. In our previous forecast we assumed that government would sell the remaining shares in Nordea during 2011 and 2012. We now estimate that the government will put off further sales awaiting more stable conditions on the stock market.

Tax income grows slowly next year

For 2011 tax income has revised upwards by SEK 13 billion lower compared with the previous forecast. This is mainly due to the outcome between May and September being SEK 8 billion lower than expected. It is above all supplementary taxes that have decreased, which is mostly explained by the fact that we overestimated the capital gains of households and businesses for 2010.

The slower recovery leads to lower tax income in 2012 compared with the previous forecast. Lower economic activity also affects 2013 and the tax bases will therefore grow only modestly compared to the level of 2012.

The largest change in tax income compared with the previous forecast is due to lower corporate taxes. The preliminary tax payments from businesses during 2011 have been in line with forecast and they indicate a strong year. At the same time a declining trend in the payments can be sensed during the past two months. We estimate that the corporate profit levels will be weakly positive for 2012 and that the profit levels then grow somewhat faster in 2013.

Low future confidence among households, continued concern for falling stock markets and uncertainty about the development of the real estate market lead to a more cautious consumption in the years to come. Despite this, consumption is still relatively high due to a stable development of disposable income. Altogether, household consumption in current prices increases by 3.1 per cent next year and 3.5 per cent in 2013. This is a decrease of 1

percentage point for next year compared with our forecast in May, which leads to lower tax income mainly from VAT.

In addition the government's proposal for a lower VAT rate on restaurant and catering services contributes to lower tax income from VAT. This proposal results in lower tax income of SEK 5 billion.

Despite a weaker economic development, wage-based taxes increase between the years. This is mainly due to a relatively stable development of hourly wages which holds up the gross wage sum.

The gross wage sum increases by 4.1 per cent in 2012 and 4.6 per cent in 2013. Compared with the previous forecast we have revised down the gross wage sum by 0.5 percentage points for next year, which is explained by the fact that the number of hours worked does not increase as quickly as previously expected. This is due to the fact that we estimate unemployment to increase somewhat next year. As unemployment falls back the number hours worked also increases during 2013.

Low enumeration of the disbursements to local governments

The central government's payments to local governments consist of government grants and tax disbursements. During 2012 the disbursements will be slightly lower compared with the forecast from May. This is mainly due to the fact that the government has fixed the enumeration factors which are to form the basis for the preliminary disbursements in 2012.

The enumeration factors basically reflect the development of the wage sum in the economy and the government anticipates a lower development rate than we do. For local governments the difference between the preliminary amount and the final amount is adjusted two years after the income year in a so called final settlement. If the preliminary disbursements in 2012 to local governments are too small, this will be adjusted in 2014.

For 2013 the preliminary disbursements increase following our view of the wage sum development. At the same time, the final settlement for 2011 will be high, which means that the preliminary disbursements during 2011 were too low.

For a more detailed explanation of the difference in disbursements between years; see facts and figures "Changes in items in the net borrowing requirement".

Unemployment expenditure increases slightly

Lower demand in Sweden and the rest of the world dampens the recovery in the labour market in the coming years. Compared to our previous forecast the unemployment rate has been revised upwards by 0.2 percentage points in 2011 and 0.7 percentage points in 2012.

Unemployment disbursements have continued to decrease during the first three quarters this year. Monthly disbursements of unemployment benefits are currently down to very low levels despite the fact that the seasonally adjusted unemployment rate exceeds 7 percent. A possible explanation for this development is tighter regulations as well as a large number of people who have recently entered the workforce and are thus not yet qualified for unemployment insurance. For 2012 we expect withdrawal of a somewhat larger number of benefit days and unemployment insurance expenditure therefore increases slightly compared to the level for 2011.

Also in the active labour market programmes there has been a slight decrease in volumes compared to the top level in the end of 2010. It is primarily the job guarantee scheme for young people as well as the number of participants in other programmes outside the guarantees that have decreased. During the remainder of 2011 the downturn stops and the number of participants starts to increase again. This development continues during 2012 as a consequence of the weaker development in the labour market. Thereafter we expect a decrease in the number of participants as the economic recovery picks up again. The decline however is very modest and there is an obvious risk of persistence considering the high long-term unemployment.

In order to counter the rise in long-term unemployment the government proposes more resources for labour market policies in the budget bill for 2012. This proposal includes more resources to the Swedish Public Employment Service as well as more means to labour market programmes.

Social insurance expenditures increase weakly

In recent years a number of reforms have taken place in the sickness insurance which has led to gradual reduction in expenditure. The volume of sickness benefit recipients now appears to have stabilised at a significantly lower level compared with the peak in 2003. We expect the volumes of recipients of sickness compensation and activity compensation to fall more leading to decreasing sickness-related expenditure during the forecast period.

The effects of lower sickness-related expenditure are partly counteracted by increasing parental benefits due to an increasing number of births. The withdrawal of parental benefit days has increased continuously in the last ten years.

The government proposes several reforms in the Budget Bill for 2012 that leads to increased social insurance expenditure, including higher housing allowance and increased housing supplement for those with activity compensation or sickness compensation.

Altogether, social insurance expenditure increases weakly during the forecast period which can be seen in facts and figures "Changes in the net borrowing requirement between years". Compared to our previous forecast expenditure for 2011 has been slightly revised upwards while the opposite applies for 2012; see Table 2.

Net lending by the Debt Office to agencies, etc.

The Debt Office's net lending is estimated at SEK 4 billion in 2011, SEK 4 billion in 2012 and SEK 2 billion in 2013. The forecast is essentially unchanged for 2011 and SEK 2 billion higher next year compared with the previous forecast.

Lower on-lending

We are not expecting any additional on-lending to Iceland or any on-lending to Latvia or Ireland.

The total on-lending to the Riksbank to strengthen the currency reserve increases by slightly less than SEK 3 billion during 2012. This is due to the fact that loans that are maturing and then being replaced are not affected as much by the euro and dollar exchange rate this time, given the cut-off rates for estimation we use in this forecast. We expect the Riksbank to retain the same volume of dollar and euro 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 does not affect central government debt including the Debt Office's financial assets. Central government net lending is not affected either. 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 expenditure.

Lower interest payments

Interest payments on central government debt are estimated at SEK 33 billion in 2011. This is SEK 2 billion higher than in the previous forecast. For 2012 and 2013 interest payments are SEK 20 billion and SEK 26 billion respectively.

The outcome for interest payments between May and September has been slightly over SEK 2 billion higher than in the May forecast. This is mainly due to higher exchange rate losses in foreign currency debt.

The marked decrease in interest payments in 2012 compared to 2011 is mainly explained by lower capital losses in buybacks related to switch auctions in nominal and real government bonds. The low interest rate payments in 2012 are also explained by temporarily high

issues sold at premium. During 2013 the size of the interest payments is normalised as temporary effects from 2012 disappears.

The Debt Office uses cut-off rates for estimation of interest payments. The cut-off date for this forecast is 30 September.

CHANGES IN THE NET BORROWING REQUIREMENT BETWEEN YEARS

The table shows which parts of the net borrowing requirement that change the most between 2009 and 2013. 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 2011 means that taxes increases by SEK 75 billion compared with 2010.

SEK billion	2009	2010	2011	2012	2013
Net borrowing requirement, level	176	1	-69	-25	-29
Net borrowing requirement, change	311	-175	-70	44	-4
Explained by;					
Taxes	83	-56	-75	-38	-68
Tax payments to local governments	28	-22	0	48	42
Government grants to local governments	16	-6	12	-3	1
Labour market	10	8	-2	2	-2
Social Insurance	-8	-2	6	0	-3
Sales of state-owned assets	77	0	-23	23	0
Share dividends	-23	-1	-11	6	2
EU contribution	-8	10	-6	4	1
Debt Office's net lending excl. on-lending	41	-17	14	-12	-3
On-lending	96	-99	-9	12	1
Interest on government debt	-2	-8	10	-13	5
Other	3	18	13	13	19

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

This year taxes increase by SEK 75 billion mainly due to an improved labour market situation compared with 2010. At the same time local government disbursements increase by SEK 12 billion following a decrease by SEK 28 billion between 2009 and 2010.

Taxes continue to increase 2012 but at a considerably slower pace than 2011. Between 2011 and 2012 they increase by SEK 38 billion. This is counteracted by increased disbursements to local governments due to a large positive final settlement for 2010. Furthermore the local government disbursements 2011 were low as a consequence of a negative final settlement for 2009.

Between 2012 and 2013 taxes increase somewhat faster again as the economic situation improves. The effect of increased income, however, is counteracted by the fact that we assume fiscal easing totalling SEK 15 billion in 2013 included in the item "Other" in the table.

Budget balance and central government net lending

Despite lower growth the central government finance shows a surplus from 2011. Central government net lending will amount to 0.2 per cent of GDP in 2011, 0.7 per cent of GDP in 2012 and 1.1 per cent of GDP in 2013.

TABLE 1 CENTRAL GOVERNMENT NET LENDING 2009-2013

SEK billion	2009	2010	2011	2012	2013
Budget balance	-176	-1	69	25	29
Adjustment items	150	-17	-61	-2	13
Sale of limited companies	0	0	-23	0	0
Parts of Debt Office's net lending	116	-3	-5	-3	-2
Accruals etc.	34	-15	-33	2	16
Central government net lending	-26	-18	8	23	42
Per cent of GDP	-0.8	-0.6	0.2	0.7	1.1

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.

FIGURE 1 CENTRAL GOVERNMENT NET LENDING AND BUDGET BALANCE

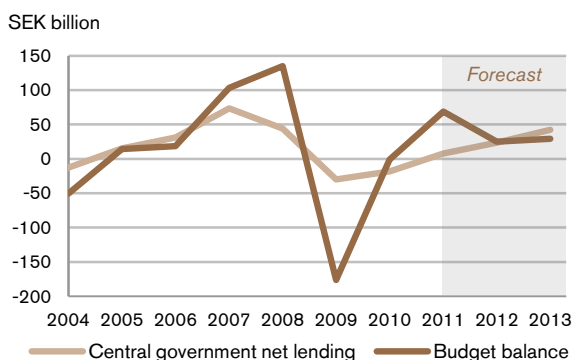
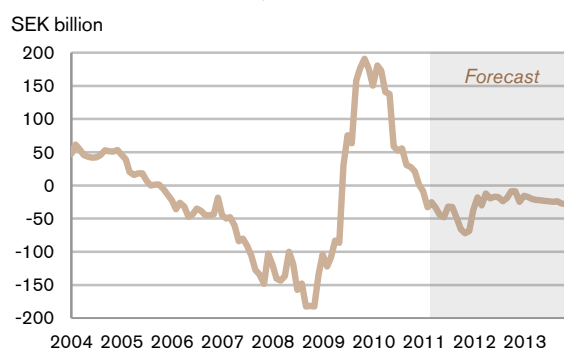


FIGURE 2 CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 12-MONTH FIGURES



Monthly forecast for the net borrowing requirement

The net borrowing requirement varies sharply between different months; see table 4 for monthly forecasts for 2011 and 2012.

TABLE 4 CENTRAL GOVERNMENT NET BORROWING

SEK billion	Primary borrowing requirement	Interest on central government debt	Net borrowing requirement ¹⁾
2011			
Oct	1.0	0.8	-0.2
Nov	-19.3	-0.1	-19.4
Dec	92.5	8.6	101.1
2012			
Jan	4.5	-2.1	2.4
Feb	-48.7	0.8	-49.6
Mar	-12.5	3.4	-9.1
Apr	-21.7	1.7	-19.9
May	-43.4	4.9	-38.5
Jun	20.5	2.4	22.9
Jul	2.7	0.4	3.1
Aug	-18.4	3.2	-15.2
Sep	4.2	-1.1	3.1
Oct	9.0	1.0	10.1
Nov	-18.2	-1.1	-19.3
Dec	76.9	8.2	85.1

¹ 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.

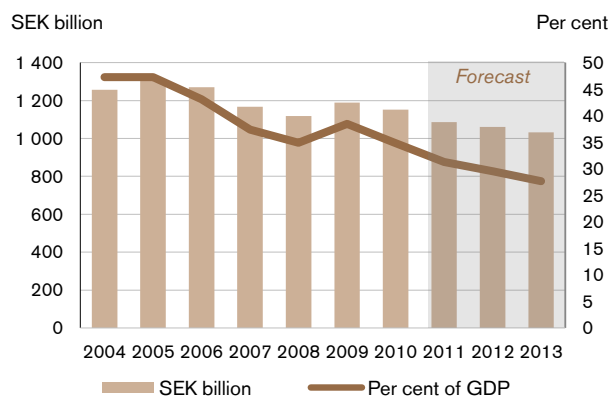
Variations from month to month are largely explained by variations in tax income, tax refunds and repo transactions by agencies.

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 high this month every year.

Central government debt decreases

Central government debt is estimated at SEK 1,086 billion at the end of 2011, SEK 1,061 billion at the end of 2012 and 1,032 at the end of 2013. This corresponds to 31, 30 and 28 per cent of GDP respectively.

FIGURE 3 CENTRAL GOVERNMENT DEBT 2004–2013'



Compared with 2010, central government debt will decrease by SEK 65 billion this year. We have assumed that the short-term investments will be zero at the end of 2011, see Table 1.

We estimate the central government debt including the Debt Office's financial assets (short-term investment and on-lending in foreign currency) at SEK 1,005 billion at the end of 2011, 980 at the end of 2012 and 950 billion 2013. This corresponds to 29, 27 and 25 per cent of GDP respectively.

SENSITIVITY ANALYSIS AND CALCULATION ASSUMPTIONS

THE DEBT OFFICE'S CALCULATION ASSUMPTIONS

<i>Per cent</i>	2011	2012	2013	<i>Full-year equivalents</i>	2011	2012	2013
Gross wages ¹	5.6	4.1	4.6	Sickness benefit	103	105	103
Household consumption ¹	3.9	3.1	3.5	Activity/Sickness compensation	354	323	300
Investments ¹	8.1	5.0	6.0	Unemployment insurance	88	97	94
Exports ¹	6.9	4.3	4.8	Activity support	164	154	144
Unemployment (ILO 15-74)	7.5	7.6	7.3	Total	708	678	640

¹ Annual percentage change, current prices

SENSITIVITY ANALYSIS

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.

<i>SEK billion</i>	Effect on net borrowing requirement
Increase by one per cent/percentage point	
Gross wages ¹	-5
Household consumption in current prices	-3
Unemployment (ILO 15-74) ²	2
Interest rate level in Sweden ³	4
International interest rate level ³	2

¹ 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

² Includes effects on unemployment insurance benefits, the job and development guarantee programme, the job guarantee scheme for young people and unemployment fees.

³ This relates to an effect on interest payments on government debt.

SCENARIO WITH LOWER GROWTH AND HIGHER UNEMPLOYMENT

Considering that the uncertainty in this forecast can be regarded as being greater than normal, we have chosen to present a calculation example which shows how the central government finances can be affected in a scenario with substantially lower growth and higher unemployment compared to our current forecast. The numbers are indicative and the calculation shall not be considered as an alternative forecast.

Effect on the net borrowing requirement

Our forecast is based on the assumption of a relatively limited slowdown of economic growth and that the problems within the European monetary union and confidence in the banking sector can be handled. However, there is a risk that the crisis intensifies and that the economic development becomes substantially worse compared to our present assessment. In such a scenario demand domestically as well as in our most important export markets would be affected negatively resulting in lower growth and higher unemployment. It is very hard to predict how severe and protracted such a development would be and which form it would take. To illustrate the effects on central government finances we have, however, created a calculation example which assumes zero growth in 2012, unemployment rising to 9 per cent as an annual average and zero growth in the gross wage sum.

In this scenario fewer hours worked, lower private consumption and lower corporate profit levels lead to considerably lower tax income. In addition, there will also be higher expenditure for labour market policy. It is mainly expenditures for the unemployment insurance and the wage guarantee that increase. At a later stage also, expenditure for active labour market programmes increases as more people qualify for participation in the guarantees.

NET BORROWING REQUIREMENT OCH CENTRAL GOVERNMENT DEBT 2012 IN OUR EXAMPLE

<i>SEK Billion</i>	2011:2	Example
Net borrowing requirement	-25	25
Central government debt	1 061	1 111

In all we estimate that the borrowing requirement would increase by about SEK 50 billion in 2012 compared to our forecast. This would imply a budget deficit of about SEK 25 billion, which corresponds to close to one per cent of GDP.

These calculations only capture the effect of automatic stabilisers and are not to be regarded as an alternative forecast. It is also worth noting that in the wake of the Lehman crisis for example, several discretionary decisions were made that largely contributed to the sharp increase in the borrowing requirement. Among other things, the government decided on temporary support to local governments, capital injections to state-owned enterprises and on-lending to the Riksbank, measures that totalled SEK 116 billion in 2009.

Limited effect on government bond funding

In the scenario described above we estimate that the net borrowing requirement increases by SEK 50 billion in 2012. The question is how this would affect funding.

The issue volume in government bonds, which is small in a historical perspective, would increase to finance part of the larger funding requirement. We emphasise that the increase in bond issuance would be limited since we have several funding alternatives. Notably, the T-bill stock has been reduced to a minimum and would increase again if the funding requirement turned out to be larger than we had anticipated.

If the borrowing requirement increases sharply, our policy is to also turn to the international capital markets and issue bonds in foreign currency.

We have not made an elaborate issue plan based on this particular scenario but we estimate that up to half of the funding requirement would be financed through government bonds. In this scenario, government bond funding would thus still not exceed what have been normal levels during the past ten years.

Slightly increased bond borrowing

The issue volume in nominal government bonds increases from SEK 22 to 35 billion in 2012. We offer additional exchanges to the 10-year bond 1054. T-bill funding increases as well while inflation-linked funding remains unchanged at SEK 6 billion per year. In the spring we plan to introduce a new inflation-linked bond with the same maturity date as the nominal bond 1053.

TABLE 1 FUNDING 2010- 2013

SEK billion	2010	2011	2012	2013
Net borrowing requirement	1	-69	-25	-29
Change in the cash balance and retail market borrowing ¹	27	9	-11	17
Maturing bonds and buybacks	38	123	127	43
Of which				
Government bonds	3	53	89	13
Foreign currency bonds	36	70	39	30
Funding requirement	67	64	92	31
T-bill borrowing, net ²	-30	-15	30	-40
Bond borrowing, gross ³	97	79	62	71
Of which				
Nominal government bonds	58	41	35	33
Inflation-linked bonds	8	6	6	6
Foreign currency bonds, on-lending ⁴	26	31	21	32
Foreign currency bonds, excluding on-lending	6	0	0	0
Funding	67	64	92	31

¹Change in outstanding deposits, liquidity bills, repos and commercial paper. Retail market borrowing is assumed to be unchanged from 30 September 2011.

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

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

⁴Including re-funding of previous on-lending.

Central government borrowing¹ increases compared to our May forecast since we expect a smaller budget surplus than before. In the May forecast we reduced short-term funding in the liquidity management to be able to prioritise long-term funding, particularly in nominal government bonds. Now that we revise our net borrowing requirement forecast, short-term funding increases again. The increase in bond funding is therefore smaller than the change in the net borrowing requirement.

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

With a view to promoting liquidity in the government bond market we will continue to concentrate funding on nominal government bonds. We also plan to offer additional exchanges to the ten-year reference loan 1054 in order to build up the outstanding volume in that bond.

TABLE 2 FUNDING COMPARED WITH PREVIOUS FORECAST

Funding	2011		2012		2013	
Forecast in SEK billion	Oct	(May)	Oct	(May)	Oct	(May)
Nominal government bonds	41	(32)	35	(22)	33	(-)
Inflation-linked bonds	6	(6)	6	(6)	6	(-)
T-bills, net ¹	-15	(-15)	30	(-5)	-40	(-)
Foreign currency bonds, on-lending ²	31	(51)	21	(18)	32	(-)
Foreign currency bonds, excluding on-lending	0	(0)	0	(0)	0	(-)
Funding, total	64	(74)	92	(41)	31	(-)

¹ Net of issues and maturities

² Including re-funding of previous on-lending

Government bond borrowing increases both this year and the next relative to our previous forecast. The explanation for this year's increase is that we issued a krona bond in August to re-finance part of a loan to the Riksbank instead of borrowing directly in foreign currency. T-bill funding also increases next year whereas the issue volume in inflation-linked bonds is unchanged compared to our forecast in May.

The issue plan is based on our proposed guidelines for central government debt management that the Debt Office presented to the Government in September. Depending on the Government's decision, some aspects of the plan may need to be revised. The Government publishes its decision no later than 15 November.

TABLE 3 IMPORTANT EVENTS IN 2011 - 2012

Date	Time	Activity
2 Nov	11.00	Exchanges to 1054
9 Feb	09.30	Press release on exchanges to a new inflation-linked bond 3109
22 Feb	11.00	Exchanges to 1054
6 March	09.30	Central Government Borrowing - Forecast and Analysis 2012:1
15 March	16.20	Terms for 3109
21 March	11.00	Exchanges to 1054
22 March	11.00	First issue of 3109
23 March	11.00	Exchanges to 3109

Increased borrowing in nominal government bonds

Nominal government bond borrowing increases to SEK 35 billion in 2012 compared to SEK 22 billion in the May forecast. In 2013 we plan to borrow SEK 33 billion in nominal government bonds

When we reduced funding in May we reduced the number of auctions in 2012. We can now increase the number of auctions somewhat and at the same time raise the issue volume to SEK 2.5 billion per auction. Some of the auction dates that we have previously removed can also be used for exchange auctions so that we can build up the outstanding volume in the ten-year loan 1054.

We increase funding but government bond borrowing is still very limited. Even though we give priority to issuance in the ten-year segment it will probably take some time to achieve a sufficient volume and liquidity in the ten-year reference loan 1054.

Due to robust public finances, demand for Swedish government securities has gradually increased. There seems to be a larger share of foreign buy-and-hold investors who are less active in the bond market and do not contribute to market liquidity. Consequently, there may be need for a larger outstanding amount of the reference loans than previously to ensure market liquidity.

Exchanges to loan 1054

In order to build up the volume in loan 1054 more quickly we plan to offer additional exchanges. In May we tendered a total of SEK 10 billion of loan 1054 in exchanges. We consider that the exchange volume in May was probably too large and therefore plan several smaller exchange auctions starting on 2 November. The extent of such exchanges will depend on demand. As before, the offer requires that the cost be very limited for the Debt Office, which means that the 1054 yield should not deviate too much from a theoretical fair value.

We will investigate the interest in these exchanges through our primary dealers and will decide on volumes and buy-back bonds ahead of each auction. The exchange auction dates are listed in the table on page 16.

In the longer term it may also be necessary to increase the outstanding volume of the two- and five-year reference loans through exchange auctions. We will monitor market liquidity and consider the possibility of further exchanges if needed.

New ten-year loan in the beginning of 2013

We will primarily issue in the ten-year maturity but there may be occasional auctions in other maturities as well. We plan on issuing a new ten-year bond in the first half of 2013. Loan 1054 will be the ten-year reference loan during the whole of 2012.

A couple of years ago, we ceased to offer the possibility of exchanging short bonds for T-bills. 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.

TABLE 4 EXCHANGES OF REFERENCE LOANS IN THE ELECTRONIC INTERBANK MARKET

Date for exchanges of reference loans ¹ (IMM date)	2-year	5-year	10-year
21 Dec 2011		1051	
19 Dec 2012	1049		

¹ 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.

Limited krona funding for on-lending to the Riksbank

In August we issued the two-year bond 1055 for the purpose of financing on-lending in foreign currency to the Riksbank. The loan was swapped to Euro to re-finance part of a 3 billion Euro loan that matured in September.

By borrowing in SEK and swapping to Euro we could reduce funding costs markedly compared to bond funding in Euro and at the same time meet the demand for short-term Swedish government bonds. On the other hand, we aim to borrow in a reasonably predictable way which is why we chose to re-finance only part of the Euro loan through krona funding.

Depending on market conditions, issuing government bonds for the purpose of on-lending to the Riksbank may be a possibility in the future as well. We would in that case be careful not to disturb the market and such funding would therefore only involve a limited amount of short-term government bonds.

Only two Riksbank loans mature during 2012, amounting to a total of USD 3 billion. At present we do not expect to re-finance these loans in the krona market.

Maturity interval for the nominal krona debt

In our proposed guidelines for central government debt management we suggest an interval for the governance of the nominal krona interest rate re-fixing period. The purpose of using a target interval rather than a specific value is to enable more efficient issue planning. For example, an interval facilitates debt management if the borrowing requirement deviates from our forecast. Under normal conditions we will target the centre of the interval, which is what we have done in this forecast.

The maturity target for the nominal krona debt refers to instruments with maturities shorter than 12 years. The proposed interval for this part of the debt is 2.7–3.2 years in terms of average interest rate re-fixing period. A volume restriction of SEK 65 billion applies to maturities of over 12 years.

The average interest rate re-fixing period is expected to be 3.0 years during the forecast period. Figure 1 shows our forecast for the interest rate re-fixing 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

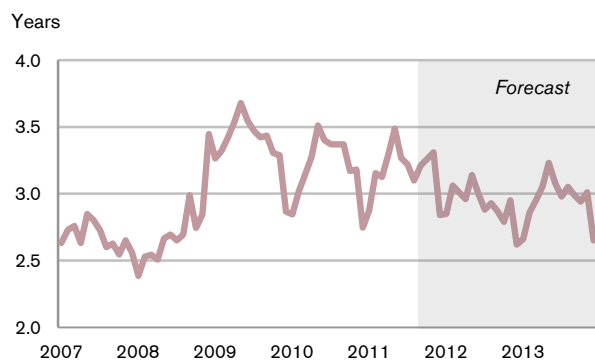


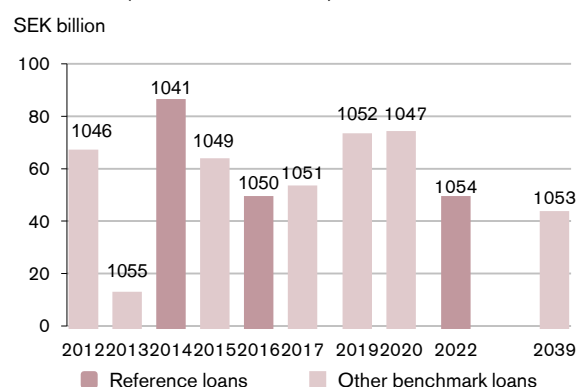
Table 5 shows the change in stock and exposure in bond interest rates adjusted for swaps. We swap part of the exposure in long interest rates for short rates and interest rates in foreign currency. Swaps are discussed in more detail in the section on T-bills and foreign currency borrowing.

TABLE 5 FÖRÄNDRING AV UTESTÅENDE NOMINELLA STATSOBLIGATIONER, NETTO INKLUSIVE SWAPPAR

SEK billion	2010	2011	2012	2013
Nominal government bonds, issues	58	41	35	33
Maturities, buybacks and exchanges	-6	-51	-65	-13
Change in nominal government bond stock	52	-10	-30	20
Swaps, net ¹	-7	-11	0	13
Nominal government bonds and swaps, net change	45	-21	-30	32

¹ Net of newly-issued and maturing swaps.

FIGURE 2 OUTSTANDING NOMINAL GOVERNMENT BONDS (BENCHMARK LOANS) ON 30 SEPTEMBER 2011



The T-bill stock increases

The T-bill stock will amount to SEK 81 billion on average during 2011. In 2012 the stock is estimated to average SEK 75 billion which is an increase of SEK 3 billion compared to the previous forecast on the background of a lower budget surplus. In 2013 the stock is expected to be SEK 79 billion on average. Table 6 shows the yearly change in the outstanding stock as of end December each year.

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

SEK billion	2010	2011	2012	2013
T-bill borrowing, net ¹	-30	-15	30	-40
Interest swaps, net	5	12	-1	-2
T-bill stock and swaps, net change	-25	-3	29	-42

¹ Net of issues (excluding exchanges) and maturities.

On average, we will issue T-bills for SEK 10 billion per auction during 2012 and 2013. 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. Auction dates are listed in the section market information below.

Increased swap borrowing

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

The swap volume increases to SEK 44 billion in 2011 compared to SEK 39 billion in the May forecast. The reason for this is that we have used swaps in connection with krona funding for on-lending to the Riksbank. For more information, see the section Limited krona funding for on-lending to the Riksbank.

In 2012 and 2013 we estimate that the swap volume will be SEK 20 and 16 billion per year respectively. For 2012 this means an increase compared to the previous forecast due to a lower expected budget surplus and to the fact that the maturity target is slightly shorter than before. For more information see Maturity interval for the nominal krona debt.

FIGURE 3 NOMINAL GOVERNMENT BONDS AND SWAPS
SEK billion

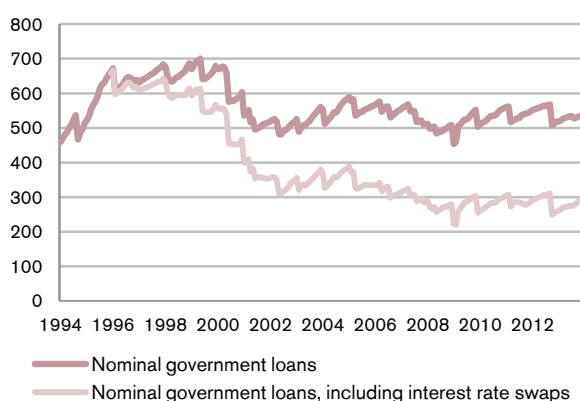
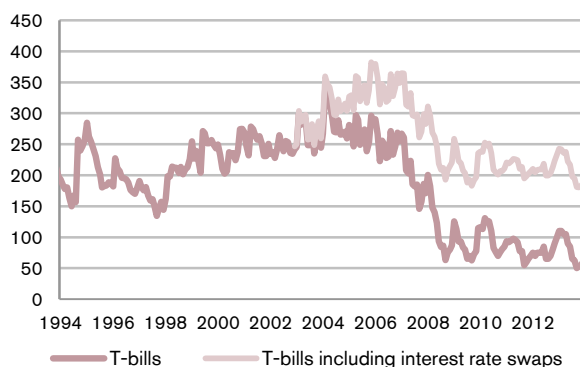


FIGURE 4 T-BILLS AND INTEREST SWAPS
SEK billion



The outstanding stock of interest rate swaps increases by SEK 11 billion during 2011 and then decreases during 2013, 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	2010	2011	2012	2013
Interest rate swaps ¹	24	22	10	11
Foreign currency swaps ²	10	22	10	5
Swaps, total	34	44	20	16
Swaps, maturities	-26	-33	-20	-29
Swaps, net change	7	11	0	-13

¹ Interest rate swaps from long to short interest rates exposure in kronor.

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

Unchanged inflation-linked funding

The inflation-linked bond funding remains at SEK 6 billion per year throughout the forecast period. We will also continue to issue SEK 750 million per auction.

New long inflation-linked bond

Our long-term strategy is to distribute the inflation-linked debt over more issues with a view to improving market liquidity and to make funding more flexible. Furthermore, with more and smaller outstanding issues the re-investment risk is reduced for our investors.

Since the loan 3106 matures in April we plan to introduce a new inflation-linked bond in late March next year. We have had indications that there is demand for a 30-year real bond. For that reason we expect to issue an inflation-linked bond matching the maturity of the nominal bond 1053 which matures in 2039.

However, it is difficult to assess demand for such a long maturity and it is possible that a 30-year issue would be smaller and less liquid than other maturities. In that case the question is how this would affect the inflation-linked bond market as a whole. We welcome feedback from investors and primary dealers and will announce more detailed information in a press release on 9 February 2012.

Exchanges to 3108

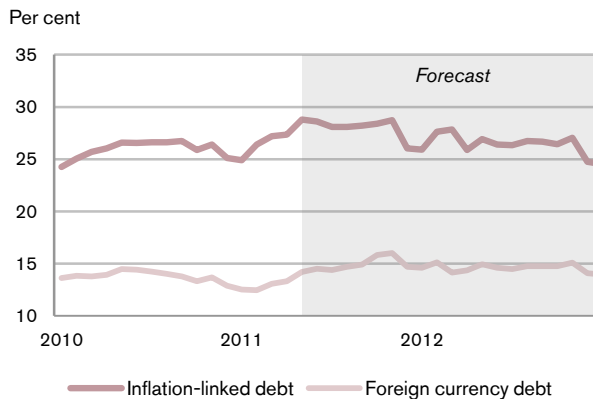
In September we issued the ten-year inflation-linked bond 3108 for the first time. On the days following the introduction we offered a total of SEK 15 billion in exchanges to the new loan. There was limited interest in these exchange auctions and the exchanged volume amounted to only just over SEK 8 billion.

The issue volume in inflation-linked bonds is small and it will take quite some time to build up the volume of loan 3108. We can offer additional exchanges depending on demand, although we have no such plans at present.

The inflation-linked debt share of total debt exceeds the target during the next few years. We have come to the conclusion that it would be difficult to maintain a well functioning market for inflation-linked bonds with even lower issue volume than we have today. Moreover, reducing the funding further from the current low level would have only a marginal effect on the share of inflation-linked debt. In the longer term we expect the share to shrink gradually as inflation-linked bonds mature.

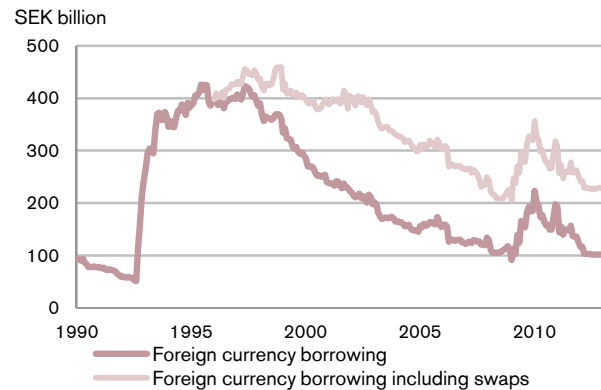
The average maturity of the inflation-linked debt is estimated at 8.2 years on average during the forecast period.

FIGURE 5 THE SHARE OF INFLATION-LINKED AND FOREIGN CURRENCY DEBT OF THE AGGREGATE CASH FLOWS OF CENTRAL GOVERNMENT DEBT ¹



¹ 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.

FIGURE 6 DEVELOPMENT OF THE FOREIGN CURRENCY DEBT



Less bond borrowing in foreign currency

Bond borrowing in foreign currency decreases from SEK 51 billion to SEK 31 billion this year. The reason for the decline is that we have replaced bond borrowing in foreign currency by bond borrowing in kronor that is swapped to euro. For more information see "Limited krona funding for on-lending to the Riksbank" above.

We have also to a greater extent borrowed in commercial paper. During 2012 the borrowing is SEK 21 billion, which will then increase to SEK 32 billion during 2013. During 2011 to 2013 we will only raise foreign currency loans to re-fund maturing loans to the Riksbank.

Swaps in foreign currency borrowing

Part of the foreign currency funding will be made by swapping kronor for exposure in foreign currency, see the box for details of how this takes place.

To maintain the share in foreign currency we need to increase the cross currency swaps by SEK 10 billion next year. During 2013 we need to make cross currency swaps for 5 billion SEK.

TABLE 8 FOREIGN CURRENCY BORROWING ¹ 2010–2013

SEK billion	2010	2011	2012	2013
Foreign currency bonds, borrowing	31	31	21	32
Of which				
On-lending ²	26	31	21	32
Excluding on-lending	6	0	0	0
Redemptions, bonds	-36	-70	-39	-30
Change in foreign currency bonds	-4	-39	-18	2
Currency swaps, net	2	-1	1	-11
Change in foreign currency debt, including swaps, net	-2	-39	-17	-8

¹ Nominal values.

² Including re-funding of previous on-lending

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 signals to issue something that means that we should deviate from the plan, we are able to do so.

SWAPS

We can create short interest rate exposure by issuing bonds and then using interest rate swaps to shorten the interest rate re-fixing 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.

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). We introduce a new three-month bill in the other months.

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.

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.

Market information

Source: Swedish National Debt Office, unless otherwise stated.

NOMINAL GOVERNMENT BONDS, OUTSTANDING VOLUMES, 30 SEP 2011

Maturity date	Coupon %	Loan no.	SEK Million
8 Oct 2012	5.50	1046	63,724
30 Aug 2013	1.50	1055	9,500
5 May 2014	6.75	1041	82,750
12 Aug 2015	4.50	1049	60,490
12 Jul 2016	3.00	1050	45,989
12 Aug 2017	3.75	1051	50,026
12 Mar 2019	4.25	1052	70,020
1 Dec 2020	5.00	1047	70,867
1 Jun 2022	3.50	1054	45,995
30 Mar 2039	3.50	1053	40,250
Total benchmarks			539,612
Non benchmarks			250
Total government bonds			539,862

T-BILLS, OUTSTANDING VOLUMES, 30 SEP 2011

Maturity date	SEK Million
19 Oct 2011	10,000
16 Nov 2011	15,000
21 Dec 2011	20,000
21 Mar 2012	10,000
Total T-bills	55,000

RATING

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

INFLATION-LINKED BONDS, OUTSTANDING VOLUMES, 30 SEP 2011

Maturity date	Coupon %	Loan no.	SEK Million
1 Apr 2012	1.00	3106	27,311
1 Apr 2014	0.00	3001	5,100
1 Dec 2015	3.50	3105	58,890
1 Jun 2017	0.50	3107	20,881
1 Dec 2020	4.00	3102	42,047
1 Jun 2022	0.25	3108	8,962
1 Dec 2028	3.50	3103	4
1 Dec 2028	3.50	3104	51,384
Total Inflation-linked bonds			214,578

NOMINAL GOVERNMENT BONDS, AUCTION DATES

Announcement date	Auction date	Settlement date
26-Oct-11	2-Nov-11*	07-Nov-11
09-Nov-11	16-Nov-11	21-Nov-11
23-Nov-11	30-Nov-11	05-Dec-11
07-Dec-11	14-Dec-11	19-Dec-11
04-Jan-12	11-Jan-12	16-Jan-12
18-Jan-12	25-Jan-12	30-Jan-12
01-Feb-12	08-Feb-12	13-Feb-12
15-Feb-12	22-Feb-12*	27-Feb-12
29-Feb-12	07-Mar-12	12-Mar-12
14-Mar-12	21-Mar-12*	26-Mar-12
11-Apr-12	18-Apr-12	23-Apr-12
25-Apr-12	02-May-12	07-May-12
23-May-12	30-May-12	04-Jun-12

*Exchange auction

T-BILLS, AUCTION DATES

Announcement date	Auction date	Settlement date
19-Oct-11	26-Oct-11	28-Oct-11
02-Nov-11	09-Nov-11	11-Nov-11
16-Nov-11	23-Nov-11	25-Nov-11
30-Nov-11	07-Dec-11	09-Dec-11
14-Dec-11	21-Dec-11	23-Dec-11
28-Dec-11	04-Jan-12	09-Jan-12
11-Jan-12	18-Jan-12	20-Jan-12
25-Jan-12	01-Feb-12	03-Feb-12
08-Feb-12	15-Feb-12	17-Feb-12
22-Feb-12	29-Feb-12	02-Mar-12
07-Mar-12	14-Mar-12	16-Mar-12
04-Apr-12	11-Apr-12	13-Apr-12
18-Apr-12	25-Apr-12	27-Apr-12
02-May-12	09-May-12	11-May-12
16-May-12	23-May-12	25-May-12
31-May-12	07-Jun-12	11-Jun-12
13-Jun-12	20-Jun-12	25-Jun-12

INFLATION-LINKED GOVERNMENT BONDS, AUCTION DATES

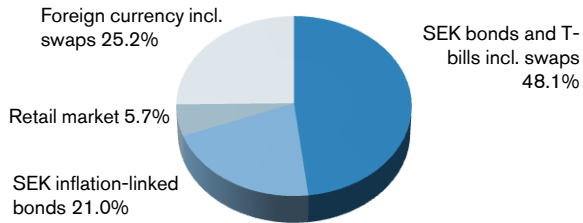
Announcement date	Auction date	Settlement date
20-Oct-11	27-Oct-11	01-Nov-11
17-Nov-11	24-Nov-11	29-Nov-11
02-Feb-12	09-Feb-12	14-Feb-12
16-Feb-12	23-Feb-12	28-Feb-12
15-Mar-12	22-Mar-12	27-Mar-12
09-Feb-12	23-Mar-12*	28-Mar-12
26-Apr-12	03-May-12	08-May-12

*Exchange auction

DEBT STRUCTURE, NOMINAL AMOUNT ¹

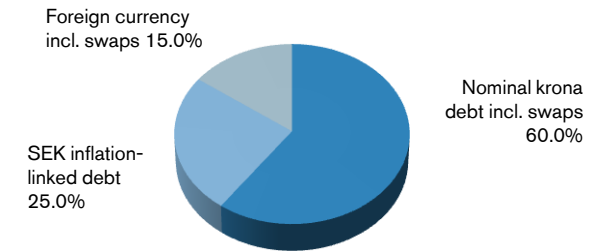
Total debt SEK 1023.9 billion

30 September 2011



¹ Inflation-linked bond debt includes accrued inflation compensation

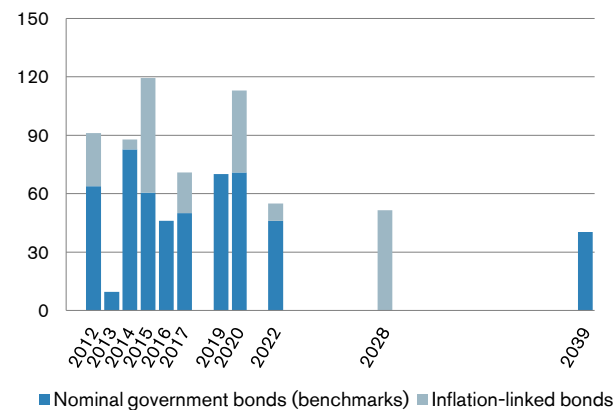
DEBT STRUCTURE, CASH FLOW-BASED ¹



¹ The targets for debt distribution between different types of debt include all future cash flows (nominal amounts, coupons and expected inflation compensation).

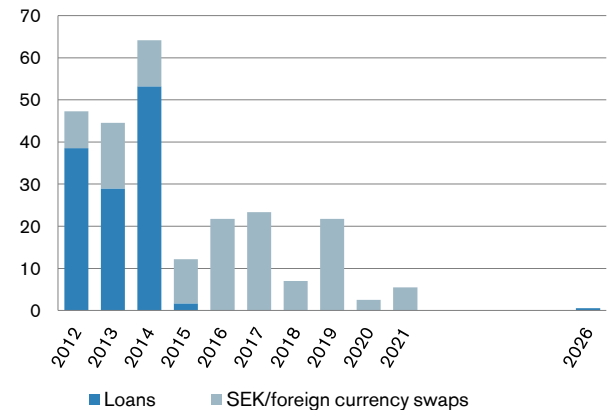
MATURITY PROFILE, SEK NOMINAL AND INFLATION-LINKED BONDS

SEK Billion

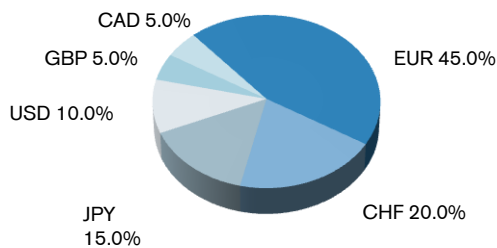


MATURITY PROFILE, FOREIGN CURRENCY LOANS EXCLUDING CALLABLE BONDS

SEK Billion

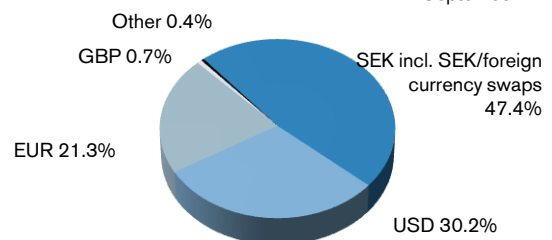


BENCHMARK FOR THE FOREIGN CURRENCY DEBT COMPOSITION

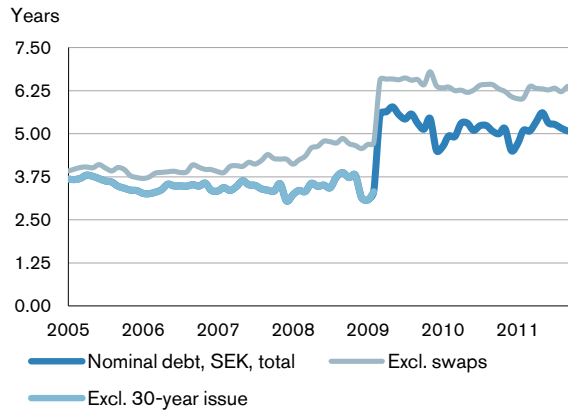


FUNDING IN FOREIGN CURRENCIES

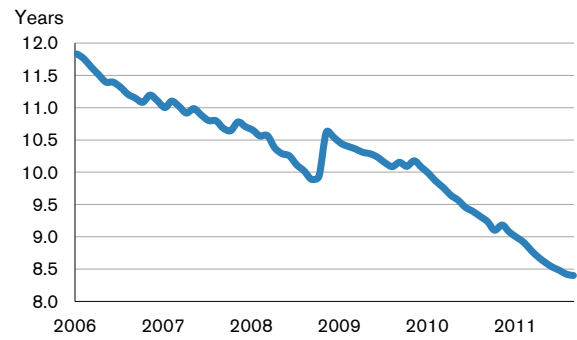
30 September 2011



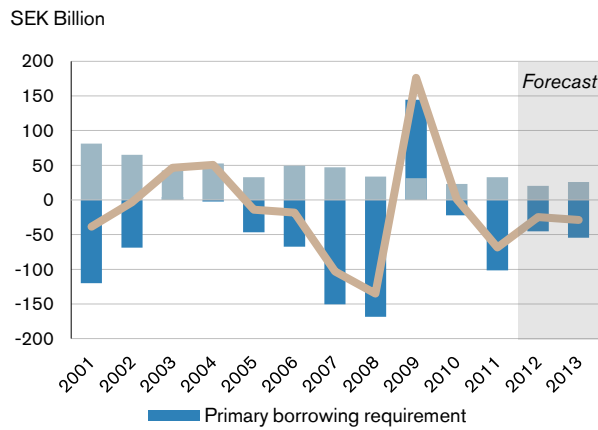
INTEREST-RATE REFIXING PERIOD OF NOMINAL DEBT



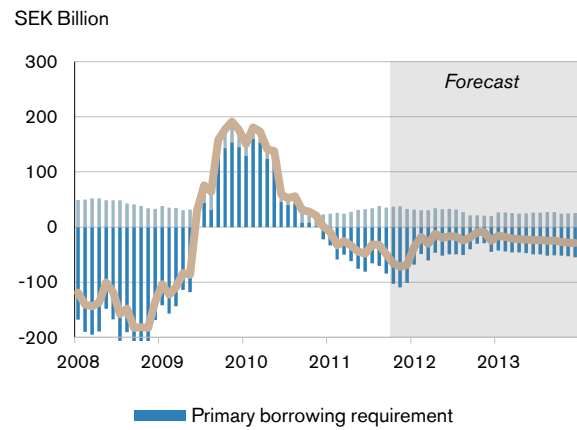
INTEREST-RATE REFIXING PERIOD OF INFLATION-LINKED DEBT



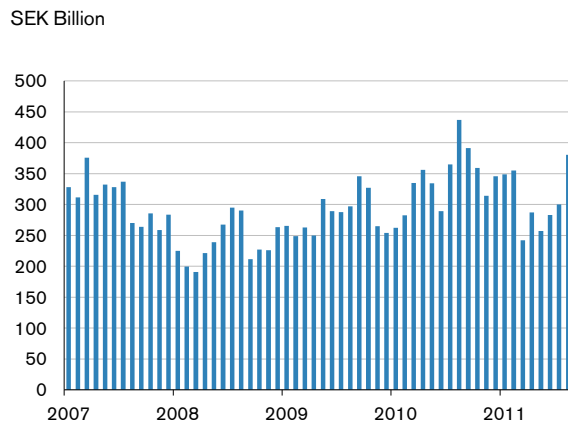
CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 2001-2013



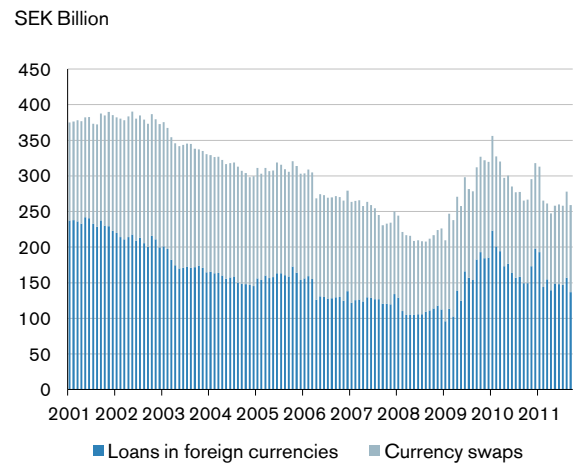
CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 12 MONTHS



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

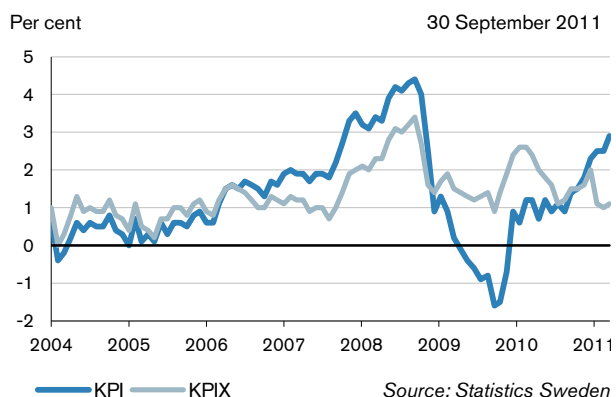


CENTRAL GOVERNMENT DEBT EXPOSURE IN FOREIGN CURRENCIES

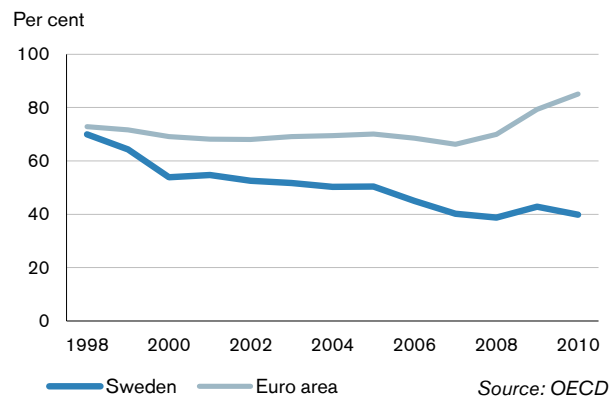


Source: Statistics Sweden

CPI AND CPIX, SWEDEN



GENERAL GOVERNMENT CONSOLIDATED GROSS DEBT IN RELATION TO GDP



Primary dealers	Nominal government bonds	Inflation-linked government bonds	T-bills	Telephone	Reuter page
Nykredit	●	●	●		
Royal Bank of Scotland	●	●	●	+46 8 506 198 76	
Barcleys Capital	●			+44 207 773 8275	
Danske Markets / Consensus	●	●	●	+46 8 568 808 44	PMCO
Nordea	●	●	●	+45 33 3317 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 re-fixing 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.

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Next report:

2012:1

6 March 2012, at. 09.30

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