

# Central Government Borrowing

*Forecast and Analysis 2011:1*

## SUMMARY

### CONTINUED STRONG CENTRAL GOVERNMENT FINANCES

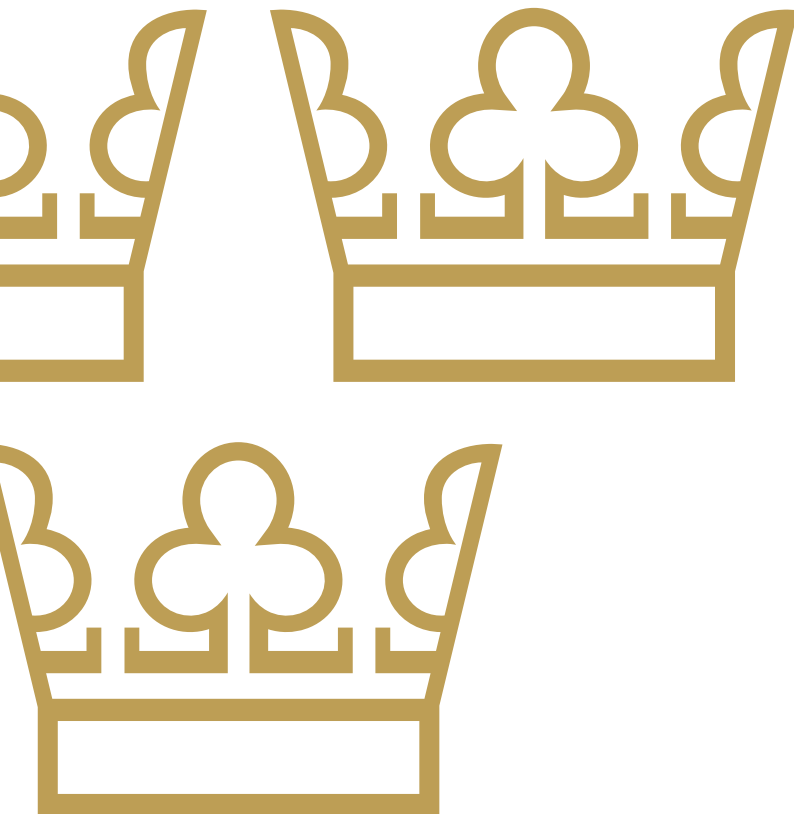
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*In Central Government Borrowing – Forecast and Analysis 2011:1*, we present forecasts for central government finances and borrowing in 2011 and 2012. In the first section, we present annual and monthly forecasts for the budget balance and the underlying 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

# Large surpluses in central government finances in 2011 and 2012

*Central government finances improve and our new forecast shows a budget surplus of SEK 99 billion in 2011 and a surplus of SEK 68 billion in 2012. The surplus is partly due to the fact that the sale of state-owned assets is expected to generate income of SEK 38 billion in 2011 and SEK 25 billion in 2012. A strong economic recovery will have an impact on central government finances this year and next year, mainly through increasing tax income. Borrowing decreases compared with the previous forecast.*

The Swedish National Debt Office expects the surplus to increase by SEK 81 billion in 2011 compared with the previous forecast. A large part of the increase, SEK 38 billion, is attributable to income from sale of the shareholdings in above all Nordea but also in Teliasonera. The rest is due to the economic recovery which leads to increasing tax income. At the same time, there is a modest increase in central government expenditure.

The budget surplus in 2012 is expected to be SEK 10 billion lower than the previous forecast. We assume that part of the state-owned assets will be sold already in 2011 and thus the income from sale of state-owned assets will be SEK 10 billion lower in 2012 than estimated in November. Furthermore, we assume fiscal easing totalling SEK 30 billion during 2012, of which SEK 22 billion have previously been announced by the government. The effects of the changed assumptions regarding sale of state-owned assets and the fiscal easing are counteracted by the fact that we at the same time estimate higher tax income next year.

### **Central government debt below 30 per cent of GDP in 2012**

Central government debt is estimated at SEK 1,048 billion at the end of 2011 and SEK 981 billion at the end of 2012. This corresponds to 30 and 27 per cent of GDP.

We estimate the central government debt including the Debt Office's financial assets (short-term investments and on-lending) at SEK 964 billion at the end of 2011 and SEK 898 billion at the end of 2012. This corresponds to 28 and 25 per cent of GDP.

### **Decreased borrowing**

Larger central government budget surpluses leads to decreased borrowing in both 2011 and 2012 compared with our previous forecast.

Even though we give priority to funding in nominal government bonds, the issue volume is reduced by SEK 8 billion and SEK 16 billion respectively in 2011 and 2012. Government bond borrowing will be focused on the 10-year benchmark. The T-bill stock is reduced slightly and borrowing in inflation-linked bonds also continues to be limited.

In order to promote liquidity in the government bond market we expect to offer exchanges to loan 1054 on 30 and 31 May. The offer requires that costs are very limited for the Debt Office. We expect a rather strong demand and assess that exchange volumes will be in the order of SEK 10 billion. We will provide more detailed information on 23 May.

Given the limited funding volume in government bonds, it is necessary to review what can be done in the long term to assure the liquidity of the market. We will analyse and discuss possible effects of a declining debt when we submit proposed guidelines to the government at the end of September. We will also analyse the interest in further exchanges.

# Continued strong central government finances

The central government budget will show a surplus of SEK 99 billion and SEK 68 billion in 2011 and 2012. Sale of state assets is estimated to generate revenue of SEK 38 billion in 2011 and SEK 25 billion in 2012. The economic recovery appears to be stronger this year. This will have an impact on central government finances this year and next year, mainly through increasing tax income. The forecast for 2012 includes assumed fiscal easing of SEK 30 billion.

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

SEK billion	2010	Forecast	
		2011	2012
<b>Central government debt at the beginning of the year</b>	<b>1,189</b>	<b>1,151</b>	<b>1,048</b>
Primary borrowing requirement excluding on-lending and sales	-19	-84	-60
Sales of state-owned assets	0	-38	-25
Interest on central government debt	23	31	20
<b>Net borrowing requirement excl. on-lending</b>	<b>4</b>	<b>-90</b>	<b>-65</b>
On-lending <sup>2</sup>	-3	-8	-3
<b>Net borrowing requirement</b>	<b>1</b>	<b>-99</b>	<b>-68</b>
Debt adjustments	-35	-4	0
Short-term investments (annual change)	-4	0	0
<b>Change in central government debt</b>	<b>-38</b>	<b>-103</b>	<b>-68</b>
<b>Central government debt at the end of the year<sup>3</sup></b>	<b>1,151</b>	<b>1,048</b>	<b>981</b>
The Debt Office's financial assets <sup>4</sup>	-93	-85	-82
<b>Central government debt including the Debt Office's financial assets</b>	<b>1,058</b>	<b>964</b>	<b>898</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.

Financial assets include short-term investments and on-lending in foreign currency. We expect the budget surplus to be SEK 99 billion in 2011 and SEK 68 billion in 2012.

A strong economic recovery during the second half of 2010, which continues into 2011, improves the central government finances further, compared with the forecast from November 2010. Important tax bases such as the gross wage sum and consumption develop strongly and at the same time central government expenditure increases moderately. We assume that the government will sell the remaining shareholding in Nordea during 2011 and

2012, which, together with the shares already sold, will generate income of approximately SEK 59 billion. In addition, the government has also sold shares in Teliasonera for almost SEK 4 billion.

The budget surplus in 2011 increases by SEK 81 billion compared with our previous forecast. SEK 38 billion is attributable to income from sale of the shareholding in Nordea and Teliasonera. The largest part of the remaining change is due to the economic recovery which leads to increasing tax income and decreasing social insurance expenditure.

The budget surplus in 2012 is estimated at SEK 68 billion, which is SEK 10 billion lower than the previous forecast. The stronger economy leads to increasing tax income. At the same time, we have reduced our assumption regarding sales of state-owned assets by SEK 10 billion for 2012. Furthermore we assume fiscal easing totalling SEK 30 billion during 2012. The proposals announced in connection with the Spring Fiscal Policy Bill are included in this amount.

Table 2. CHANGES SINCE LAST FORECAST, 2011-2012

SEK billion	2011	2012
<b>Forecast November 2010</b>	<b>-18</b>	<b>-78</b>
<b>Changes in terms of net borrowing requirement<sup>1</sup></b>		
Sales of state-owned assets	-38	10
Share dividends	-4	-5
Taxes	-19	-17
Fiscal policy easing	0	30
Municipalities	-4	9
Net lending excl. on-lending	1	1
On-lending	-8	-3
Interest payments	-4	-1
Other	-4	-14
<b>Total</b>	<b>-81</b>	<b>10</b>
<b>Forecast May 2011</b>	<b>-99</b>	<b>-68</b>

<sup>1</sup> 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.

## Continued recovery

We estimate GDP growth at 4.1 per cent in 2011 and 3.0 per cent in 2012. This is approximately 1 percentage point higher for 2011 and unchanged next year compared with our previous forecast.

Growth during the third and the fourth quarters last year was stronger than we had expected. We thus enter 2011 on a higher GDP level. The first two quarters will show high growth numbers, since quarterly comparisons with 2010 are low. We expect growth to slow down in the second half of the year.

In 2010 stockbuilding was a key factor explaining the high growth. This year we expect broad growth with consumption and investment as driving factors. During 2012 we assume lower growth when the kick back phase is over. There are, however, favourable conditions for continued high consumption.

We expect employment to continue to grow and the number of employees to increase by approximately 3 per cent in total over 2011 and 2012. Since, at the same time, the labour force increases, unemployment does not decrease to the same extent as the growth in employment. Unemployment decreases to 7.3 per cent this year and 6.9 per cent in 2012. The strong labour market affects central government finances by increasing tax incomes and lower disbursements. A sign that the labour market continues to improve is the high growth of the wage sum for the first three months this year compared with the same period last year.

In spite of relatively high unemployment rate, disbursements for labour market measures are comparatively low. This is due to stricter rules for unemployment benefits and to new entrants to the labour force not qualifying for benefit.

The fast improvement in the labour market leads to an increase in household disposable income. Adding fiscal easing, for example through tax cuts, increases consumption even more. Higher interest rates can, on the other hand, lead to a more moderate consumption growth towards the end of the forecast period. Consumption growth will also increase imports, having a negative effect on net exports and GDP.

Swedish economy is strong in an international comparison. Many countries struggle in a different economic environment with large public deficits and high levels of debt, which restrains demand. The future development of the global economy is very important for the Swedish economy.

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.

## Large surpluses

We estimate a surplus of SEK 99 billion in 2011 and SEK 68 billion in 2012. Disregarding sales revenues, the surplus will be SEK 61 billion and SEK 43 billion in 2011 and 2012.

### Sales of state-owned assets

Our forecast for sales of state-owned assets is SEK 38 billion for 2011 and SEK 25 billion for 2012. In our previous forecast we estimated no sales for 2011 and SEK 35 billion for 2012.

We expect the government to sell the remaining shares in Nordea already during 2011 and 2012. At the beginning of 2011 the Swedish government sold shares corresponding to 6.3 per cent of the outstanding shares in Nordea, which resulted in revenue of SEK 18.9 billion. After the divestment the central government owns 13.5 per cent of the shares. These shares have a present market value of approximately SEK 40 billion. We have calculated with divestments of SEK 15 billion this year apart from the SEK 18.9 billion already sold. The remainder, approximately SEK 25 billion, is assumed to be divested next year. The government has also sold shares in Teliasonera for SEK 3.7 billion in connection with their repurchase offer of shares.

Our assessment of sales income is, of course, uncertain. We have assessed it as likely that all shares in Nordea will be divested during our forecast horizon. However, it is, of course, possible that it will take until after the end of the forecast horizon.

The Debt Office does not receive any additional information about sales than what is 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

Total tax income will increase by SEK 19 billion in 2011 and SEK 17 billion in 2012 compared with the November forecast. The outcome of tax income between January and April has been SEK 7 billion higher than estimated. The tax cuts announced in connection with the Spring Fiscal Policy Bill are not included in our calculation of the tax income, but they are taken into consideration in our assumption of fiscal policy easing. Read more in the section Reforms equivalent to SEK 30 billion in 2012.

The largest change in tax income is due to higher wage-based taxes. We expect the growth rate of the gross wage sum to be 4.9 per cent in 2011 and 4.6 per cent in 2012. This is an upward adjustment of 1.3 percentage points in 2011 and 0.4 percentage points in 2012 com-

pared with our previous forecast. In addition, the annual rate in 2010 was higher than we had estimated.

The labour market has improved faster than we anticipated in November. It is mainly the increase in the number of employees and hours worked that have had a positive impact on the development of the gross wage sum.

Tax on consumption has also developed strongly during the first part of the year. Purchases of cars and durable goods continue to account for a large share of the increased consumption. We expect consumption in current prices to increase by 4.7 per cent in 2011 and 4.2 per cent in 2012. This is an increase of 1 percentage point this year but unchanged in 2012.

The supplementary tax payments between January and April have been higher than we expected. This mainly indicates higher capital gains for households in 2010. Tax on corporate profits is somewhat lower compared with the previous forecast.

#### **Reforms equivalent to SEK 30 billion in 2012**

We assume that the Swedish parliament, the Riksdag, will take decisions on fiscal easing amounting to SEK 30 billion next year. This includes the reform ambitions, totalling approximately SEK 22 billion, presented by the government in connection with the election last year. The reform ambitions consist, for example, of a further augmentation of the in-work tax credit, a higher threshold for state income tax, and lower VAT on restaurant and catering services. Furthermore we estimate another SEK 8 billion in fiscal easing next year. We have chosen to treat the reforms as a lump sum in the forecast until more details are known, see Table 2.

#### **Larger disbursements to municipalities in 2012**

The central governments payments to municipalities and county councils consist of government grants and tax disbursements. We expect these payments to be SEK 4 billion lower compared with our previous forecast. This is mainly due to the fact that the preliminary tax disbursements for 2009 proved to be too high leading to a negative final settlement in 2011. Our view of the labour market is considerably brighter compared with our previous forecast. This means that we expect the central government tax disbursements to municipalities and county councils to be SEK 9 billion higher than in our previous estimate.

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

We are expecting unemployment of 7.3 per cent in 2011 and 6.9 per cent in 2012. This is slightly more than half a percentage point lower per year than in our previous forecast.

Unemployment benefit disbursements have continued to decrease during the first four months this year mainly due

to falling unemployment. This means that we now expect unemployment benefit disbursements to be SEK 2 billion lower compared with our previous forecast. The positive development on the labour market continues in 2012, entailing volumes and expenditure for unemployment insurance at approximately the same level as in 2008.

The downturn in the number of unemployed participating in active labour market programmes (ALMPs) has not yet materialised but there are indications that the development has levelled out. The number of young people participating in the job guarantee scheme for young people as well as the number of participants in other programmes outside the guarantees is now falling. The number of participants in the job and development guarantee programme is still increasing but we expect a downturn within the forecast period.

We expect that the expenditure for ALMPs will peak this year and then start to decrease as a consequence of fewer people participating in ALMPs. Compared with our previous forecast we have revised this expenditure down by SEK 2 billion this year and next year.

#### **Ongoing decrease in the sickness rate results in lower social insurance expenditure**

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 now appears to have been stabilised at a significantly lower level compared with the peak in 2003. We expect the volumes of sickness compensation and activity compensation to fall more leading to decreasing social insurance expenditure during the forecast period. The possible changes in the sickness insurance scheme which are now being considered by the government could lead to some upward pressure on social security expenditure.

#### **Increased dividends**

Dividends on the state's shares are estimated at SEK 27 billion this year and SEK 23 billion in 2012. This is SEK 4 and SEK 5 billion higher than in the previous forecast. The major part of the increase is explained by the dividend from LKAB being SEK 5 billion instead of SEK 1 billion as we estimated. We also adjust the level of dividends in 2012 due to higher dividends this year. The higher level of dividends for 2011 compared with 2012 is explained by Apoteket making an extra dividend of more than SEK 5 billion. However, this payment affected the borrowing requirement already in 2010 when the funds were deposited in account at the Debt Office. This year Apoteket withdraws the funds from the account and makes a dividend payment to the central government. This transaction will not affect the borrowing requirement since it is a payment within the central government

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

The Debt Office's net lending is estimated at SEK 4 and SEK 1 billion for 2011 and 2012. This is SEK 8 and SEK 1 billion respectively lower compared with the previous forecast. This is due to less on-lending to the Riksbank.

#### On-lending

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

The total on-lending to the Riksbank decreases by SEK 8 and SEK 3 billion for 2011 and 2012 respectively. This is due to loans maturing and being replaced by loans at a lower euro and dollar rate. The outstanding volume in SEK will therefore be lower. However, 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 costs.

### Lower interest payments

Interest payments on central government debt are estimated at SEK 31 billion and SEK 20 billion for 2011 and 2012. This is SEK 4 billion and SEK 1 billion respectively lower than in the previous forecast.

The outcome for interest payments between January and April has been SEK 3 billion lower than in the November forecast. This is explained by lower exchange rate differences and lower capital losses in SEK than estimated.

Interest payments for 2012 are estimated at SEK 20 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 30 April.

### 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 38 billion in 2011 and SEK 39 billion in 2012. Central government net lending will amount to 1.1 per cent of GDP both years.

## 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 55 billion compared with 2009.

SEK billion	2008	2009	2010	2011	2012
Taxes	-34	82	-55	-89	-56
Payment to local government	42	44	-28	13	47
Sales of state-owned assets	-59	77	0	-38	13
Labour market	-2	3	3	-1	-1
Social Insurance Agency	-1	1	-2	-7	-3
EU contribution	5	-8	10	-5	4
Debt Office's net lending					
excl. on-lending	-21	41	-17	11	-8
On-lending	0	96	-99	-6	6
Interest on central government debt	14	-2	-8	8	-11
Other	51	-21	21	13	42
<b>Total change from previous year</b>	<b>-32</b>	<b>311</b>	<b>-175</b>	<b>-100</b>	<b>31</b>

	2007	2008	2009	2010	2011	2012
Net borrowing requirem.	-103	-135	176	1	-99	-68

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 increase by SEK 13 billion after having decreased by SEK 28 billion kronor in 2010. Taxes increase by SEK 89 billion in 2011, mainly due to the strong recovery of the labour market. Taxes will continue to grow in 2012, although at a calmer pace than in 2011. Taxes increase by SEK 56 billion. This is counteracted by increased payments to the municipalities.

Our assumption of fiscal easing of SEK 30 billion in 2012 contributes to the increased net borrowing requirement.



Disregarding our assumption of fiscal easing of SEK 30 billion in 2012 the central government net lending would be 1.9 per cent of GDP.

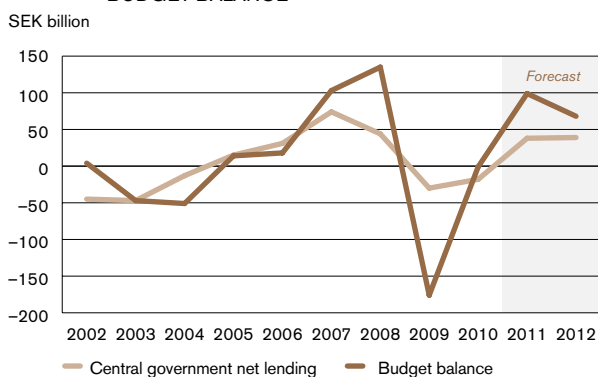
The differences between government financial lending and the budget balance may be substantial. This is because the budget balance is cash-based. It includes, for example, sales of state-owned assets and on-lending within the Debt Office's net lending to agencies.

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 3. CENTRAL GOVERNMENT NET LENDING 2007-2012

SEK billion	2007	2008	2009	2010	Forecast	
					2011	2012
<b>Budget balance</b>	<b>103</b>	<b>135</b>	<b>-176</b>	<b>-1</b>	<b>99</b>	<b>68</b>
<b>Adjustment items</b>	<b>-30</b>	<b>-91</b>	<b>146</b>	<b>-17</b>	<b>-61</b>	<b>-29</b>
Sale of limited companies	-18	-77	0	0	-38	-25
Parts of Debt Office's net lending	2	-5	116	-3	-3	-5
Accruals etc.	-14	-9	30	-14	-21	2
<b>Central government net lending</b>	<b>74</b>	<b>44</b>	<b>-30</b>	<b>-18</b>	<b>38</b>	<b>39</b>
<b>Per cent of GDP</b>	<b>2.4</b>	<b>1.4</b>	<b>-1.0</b>	<b>-0.5</b>	<b>1.1</b>	<b>1.1</b>

Figure 1. CENTRAL GOVERNMENT NET LENDING AND BUDGET BALANCE



## Monthly forecasts

The Debt Office publishes annual forecasts three times a year. Table 4 presents monthly forecasts for the entire forecast horizon.

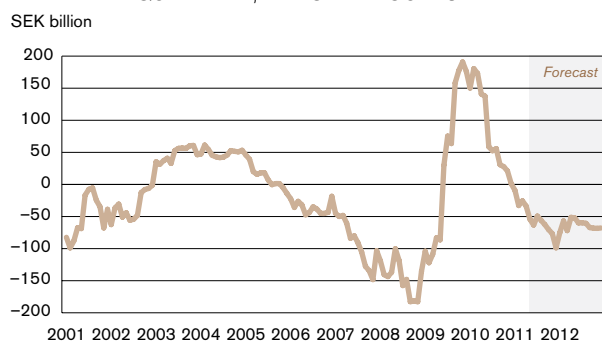
Variations from month to month are largely explained by variations in tax income, tax refunds and repo transactions by agencies. Repo transactions by agencies increase the net borrowing requirement by SEK 5.4 billion in December and reduce it by SEK 5.4 billion in January.

Table 4. CENTRAL GOVERNMENT NET BORROWING REQUIREMENT PER MONTH

SEK billion		Primary borrowing requirement	Interest on central government debt	Net borrowing requirement <sup>1</sup>	
<b>2011</b>	May	-44.1	3.7	-40.4	
	Jun	12.6	2.1	14.7	
	Jul	1.1	0.5	1.5	
	Aug	-19.3	4.3	-15.1	
	Sep	-0.9	9.8	8.8	
	Oct	7.2	1.6	8.7	
	Nov	-19.5	-0.5	-20.0	
	Dec	66.9	8.8	75.7	
	<b>2012</b>	Jan	-4.9	-1.3	-6.2
		Feb	-48.6	-0.9	-49.5
		Mar	-10.9	-1.3	-12.2
		Apr	-19.5	2.2	-17.3
May		-46.6	5.3	-41.2	
Jun		4.5	2.3	6.8	
Jul		1.5	0.3	1.8	
Aug		-20.2	4.2	-15.9	
Sep		3.0	-0.8	2.2	
Oct		6.4	1.4	7.8	
Nov		-19.9	-0.4	-20.3	
Dec		67.3	9.1	76.3	

<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.

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



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

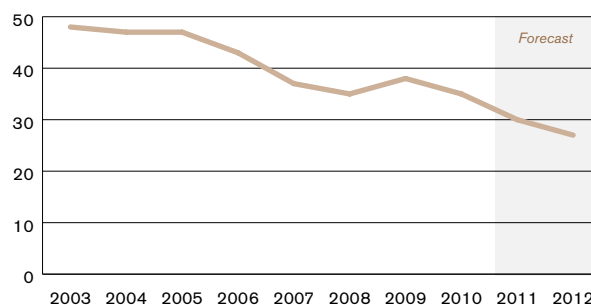
Central government debt is estimated at SEK 1,048 billion at the end of 2011 and SEK 981 billion at the end of 2012. This corresponds to 30 and 27 per cent of GDP.

Compared with 2010, central government debt will decrease by SEK 103 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) at SEK 964 billion at the end of 2011 and 898 billion 2012. This corresponds to 28 and 25 per cent of GDP.

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



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

## SENSITIVITY ANALYSIS AND CALCULATION ASSUMPTIONS

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

### SENSITIVITY ANALYSIS

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

<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.

<sup>2</sup> This relates to an effect on interest payments on government debt.

### THE DEBT OFFICE'S CALCULATION ASSUMPTIONS

Per cent	2011	2012
Gross wages <sup>1</sup>	4.9	4.6
Household consumption <sup>1</sup>	4.7	4.2
Investments <sup>1</sup>	8.1	6.5
Exports <sup>1</sup>	5.8	6.0
Unemployment	7.3	6.9

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

# Decreased borrowing

The issue volume in nominal government bonds decreases to SEK 32 billion and SEK 22 billion in 2011 and 2012. We expect to offer exchanges to loan 1054 which will become a 10-year reference loan in June. The T-bill stock will decrease slightly compared with the November forecast. Borrowing in inflation-linked bonds remains at SEK 6 billion in 2011-2012. During the autumn we will introduce a new inflation-linked bond maturing in June 2022, the same maturity date as loan 1054.

Table 1. FUNDING 2010–2012

SEK billion	2010	2011	2012
Net borrowing requirement	1	-99	-68
Change in the cash balance and retail market borrowing <sup>1</sup>	27	47	-22
Maturing bonds and buybacks	38	126	131
Of which			
Government bonds	3	57	92
Foreign currency bonds	36	70	39
<b>Funding requirement</b>	<b>67</b>	<b>74</b>	<b>41</b>
T-bill borrowing, net <sup>2</sup>	-30	-15	-5
Bond borrowing, gross <sup>3</sup>	97	89	46
Of which			
Nominal government bonds	58	32	22
Inflation-linked bonds	8	6	6
Foreign currency bonds, on-lending <sup>4</sup>	26	51	18
Foreign currency bonds, excluding on-lending	6	0	0
<b>Funding</b>	<b>67</b>	<b>74</b>	<b>41</b>

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

<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 next year compared with our forecast in November. This difference is mainly explained by increasing budget surpluses in 2011. Maturing loans and buybacks will increase slightly compared with our previous forecast. This is mainly explained by exchange auctions where we buy back a larger volume than we issue.

When the funding requirement decreases, we give priority to borrowing in nominal government bonds. We have therefore reduced borrowing in foreign currency bonds in previ-

<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.

ous forecasts. Disregarding on-lending to the Riksbank, we do not expect to issue any foreign currency bonds in the next two years. Borrowing in T-bills and inflation-linked bonds has also been gradually reduced to low levels.

We are now expecting larger surpluses than in the previous forecast and need to make a further adjustment in borrowing. The issue volume of nominal government bonds therefore decreases by SEK 8 and SEK 16 billion in 2011 and 2012.

To assure the liquidity in the market we expect to offer exchanges to loan 1054 which will become a new 10-year reference loan in June. The extent of the issues will depend on the demand. The exchange offer requires that the cost for the Debt Office will be very limited.

Table 2 FUNDING COMPARED WITH PREVIOUS FORECAST

Funding Forecast in SEK billion	2011		2012	
	May	(Nov)	May	(Nov)
Nominal government bonds	32	(40)	22	(38)
Inflation-linked bonds	6	(6)	6	(6)
T-bills, net <sup>1</sup>	-15	(-13)	-5	(-5)
Foreign currency bonds, on-lending <sup>2</sup>	51	(51)	18	(29)
Foreign currency bonds, excluding on-lending	0	(0)	0	(0)
<b>Funding, total</b>	<b>74</b>	<b>(83)</b>	<b>41</b>	<b>(68)</b>

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

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

Bond borrowing in foreign currency on behalf of the Riksbank is lower compared with the previous forecast. This is mainly because one of the Riksbank loans will mature and consequently be re-funded in 2013 instead of 2012 which we assumed in our previous forecast. The decrease is also attributable to the appreciation of the krona since November.

The forecast for the net borrowing requirement for the remaining part of 2011 and 2012 contains assumed sales income of SEK 40 billion. Our issue plan is based on an

estimate of a total of SEK 40 billion in sales income for the whole forecast period. In the event of a different distribution of sales income than planned between the years this need not mean a change in the issue plan.

Table 3. IMPORTANT EVENTS IN 2011

Date	Time	Activity
23 May	09:30	Press release on exchanges to bond 1054, 1 June 2022
30, 31 May	11:00	Exchanges to 1054
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, 19, 20 September	11:00	Exchanges to 3108
25 October	09:30	Central Government Borrowing

- Forecast and Analysis 2011:2

## Reduced borrowing in nominal government bonds

The focus of the borrowing will be on nominal government bonds. Notwithstanding this, borrowing in nominal government bonds decreases by SEK 8 and SEK 16 billion during 2011 and 2012. The total issue volume will amount to SEK 32 billion in 2011 and SEK 22 billion in 2012. Four auctions will be cancelled in autumn 2011 and eight auctions will be cancelled in 2012. The issue volume will still be SEK 2 billion per auction.

### Exchanges to loan 1054

We regularly offer exchanges in connection with the introduction of new loans. This was also the case when we introduced loan 1054. When borrowing in bonds decreases it is, however, difficult to achieve the desired size and liquidity in the ten-year loan through the regular auctions.

We therefore expect to offer complementary exchanges to loan 1054 on 30 and 31 May. The extent of the exchanges will depend on the demand. As with earlier exchanges of this kind, this exchange offer requires that the cost will be very limited for the Debt Office. The yield on 1054 should, for example, be in line with a theoretical valuation of the loan.

We will explore the demand through our authorised dealers and welcome all points of view from the market. Decisions on exchange volumes and buyback loans will be notified on 23 May. Our preliminary assessment is that the exchange can be in the range of SEK 10 billion of loan 1054.

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

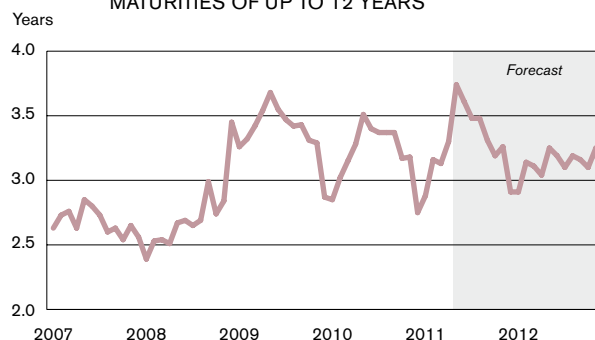
SEK billion	2010	2011	2012
Nominal government bonds, issues	58	32	22
Maturities, buybacks and exchanges	-6	-52	-64
Change in nominal government bond stock	52	-20	-42
Swaps, net 1	-7	-7	20
Nominal government bonds and swaps, net change	45	-27	-22

<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 maturity target for this part of the debt should be 3.1 years in terms of the interest rate refixing period. A volume restriction of SEK 65 billion applies to maturities of over 12 years.

The maturity will be longer than 3.1 years between May and November but we expect to reach the maturity target at the end of the year. The interest rate refixing period for the nominal krona debt with maturities of up to 12 years will average 3.1 years in 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



### The issue volume will be concentrated to the ten-year segment

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. Bonds with ten-year maturity will have priority due to the fact that the issue volume in nominal bonds will decrease.

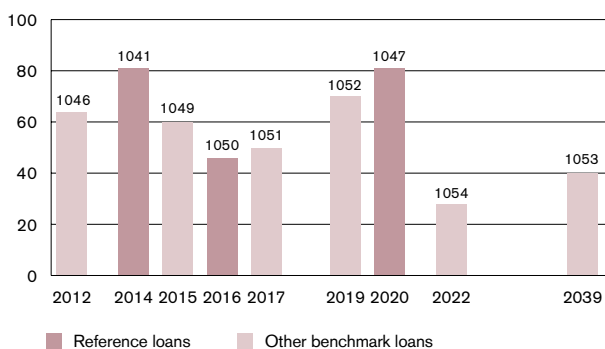
A couple of years ago, the possibility of exchanging short bonds for T-bills ceased. During a transitional period, we have instead offered buybacks of a limited portion of the bonds which have become shorter than a year. In our view, there is little interest in this and we are therefore not planning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

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

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

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 30 APRIL 2011  
SEK billion



### Measures to ensure good liquidity

Given the limited funding volume in government bonds, it is necessary to review what can be done in the long term to assure the liquidity of the market.

At the end of September, the Debt Office will submit proposed guidelines for 2012 to the government. In connection with that we will also analyse and discuss the possible effects of a reduction in debt for, inter alia, liquidity and infrastructure.

The analysis will, for example, address priorities between different types of debt and if there are reasons to consider borrowing beyond what is immediately needed to finance the deficit and maturing loans.

Another issue concerning the liquidity of the market is the priority of our benchmark loans. Today, the outstanding volume of the reference loans with maturities of 2, 5 and 10 years are roughly equal to the loans which are not benchmarks. If there was interest in a more systematic approach to taking part in exchanges to reference loans, we would be willing to consider this. Such exchanges could achieve reference loans in the range of SEK 80-100 billion. Other loans will then be correspondingly less.

When new bonds then become reference loans, exchanges will again take place.

This type of activities would help improve liquidity in the loans that are traded and ought to benefit most participants. If exchanges of this kind are driven by investor interest and enabling them to take place at a negligible cost to the State, we are prepared to consider a larger element of exchanges and test this already this autumn. The exchanges can be made through auctions, and possibly also on-tap.

### Slight reduction in borrowing in T-bills

Borrowing in T-bills has been adapted to a lower funding requirement in 2010 and only decreases slightly therefore. In 2011, the average stock is expected to be SEK 80 billion, compared with SEK 91 billion in the November forecast. In 2012, the stock is expected to be SEK 70 billion on average. The stock is expected to be SEK 70 billion at the end of 2011 and 2012.

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. One issue will be deleted in September this year. The auction dates are shown in the section on market information.

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

SEK billion	2010	2011	2012
T-bill borrowing, net <sup>1</sup>	-30	-15	-5
Interest swaps, net	5	9	-11
<b>T-bill stock and swaps, net change</b>	<b>-25</b>	<b>-6</b>	<b>-16</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 39 billion in 2011 compared with SEK 35 billion in the November forecast. The surplus in 2011 has meant that we have moved from deficit to surplus in liquidity management. This has the effect of the interest rate refixing period becomes longer and we therefore will increase the swap volume slightly compared with our previous forecast. The maturity of the debt will be adjusted in 2011. With the current maturity target the expected swap volume will be zero in 2012.

The outstanding stock of interest rate swaps increases by SEK 7 billion during 2011 and then decreases during 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	2010	2011	2012
Interest rate swaps <sup>1</sup>	24	19	0
Foreign currency swaps <sup>2</sup>	10	20	0
<b>Swaps, total</b>	<b>34</b>	<b>39</b>	<b>0</b>
Swaps, maturities	-26	-31	-20
<b>Swaps, net change</b>	<b>7</b>	<b>7</b>	<b>-20</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

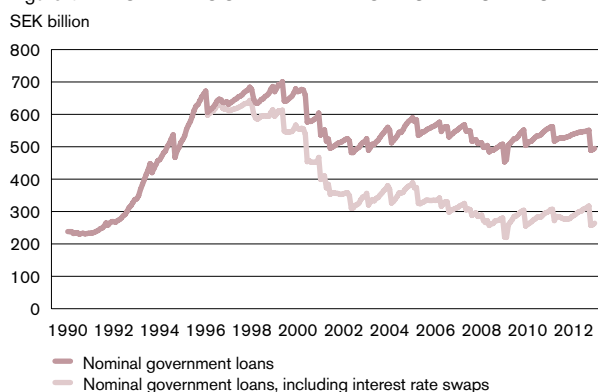
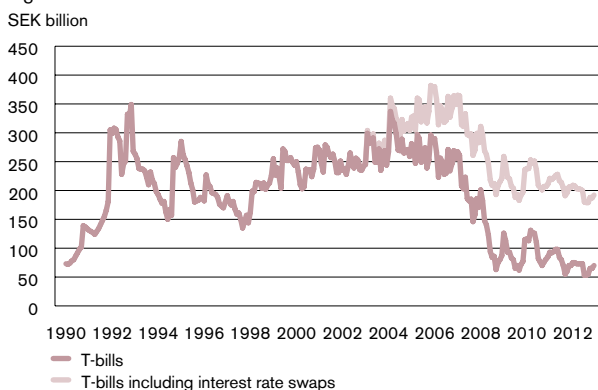


Figure 4. T-BILLS AND INTEREST RATE SWAPS



**Unchanged inflation-linked borrowing**  
Borrowing in inflation-linked bonds is unchanged at SEK 6 billion in 2011 and 2012. We will continue to issue SEK 750 million per auction.

In our earlier forecasts we have already reduced inflation-linked borrowing to a low level. A further reduction would only give marginal scope for increased borrowing in other instruments but risk leading to a deterioration of liquidity in the inflation-linked bond market

Another reason why we choose to keep the issue volume unchanged is that we expect to net amortise the inflation-linked debt in exchange auctions when we introduce a new loan in September, see below.

### New ten-year inflation-linked bond in September

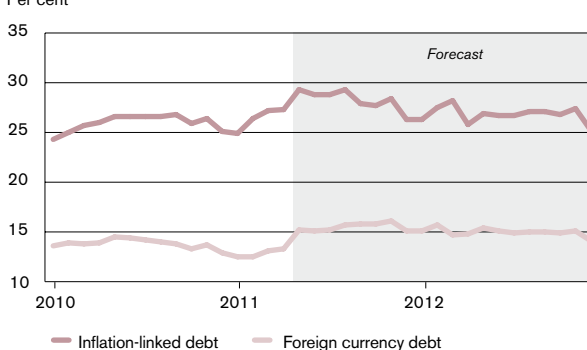
On 15 September, we introduce loan 3108 with maturity date 1 June 2022. During the three days immediately after introduction, we will hold exchange auctions to build up volume in the new bond. In all we expect to offer SEK 15 billion of loan 3108 in exchange for loans 3105, 3102 and 3104. We will provide more detailed information about the exchange auctions on 25 August.

The bonds that we plan to buy back in the exchange auctions have high accrued inflation compensation. The net effect of the exchanges is therefore a decrease in inflation-linked debt. In our forecast we have assumed that we will amortise, net, around SEK 5 billion.

During 2011 and 2012 we will primarily issue in bonds 3107 and 3018 in order to increase the outstanding volume in these new bonds. The choice of bond for each particular auction will mainly comply with an internal issue plan decided in advance.

The share of inflation-linked debt of total debt will average 27 per cent during 2011 and 2012. The maturity will decrease during the coming year and is expected to be around 8.3 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.

## Less bond borrowing in foreign currency

Bond borrowing in foreign currency totals SEK 51 billion this year and SEK 18 billion next year.

In our previous forecast we reduced foreign currency borrowing to 0 for the coming years, in the light of the reduced funding requirement. We will not issue 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.

One of the bonds that we expected to re-fund in 2012 has been replaced by a 2-year bond that matures in 2013 instead. This means that on-lending to the Riksbank next year is lower compared with our November forecast. The on-lending expressed in terms of kronor is also slightly lower due to a strengthening of the krona since November.

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.

TABLE 8. FOREIGN CURRENCY BORROWING<sup>1</sup> 2010–2012

SEK billion	2010	2011	2012
Foreign currency bonds, borrowing	31	51	18
Of which			
On-lending <sup>2</sup>	26	51	18
Excluding on-lending	6	0	0
Redemptions, bonds	-36	-70	-39
<b>Change in foreign currency bonds</b>	<b>-4</b>	<b>-18</b>	<b>-20</b>
Currency swaps, net	2	-2	-9
<b>Change in foreign currency debt, including swaps, net</b>	<b>-2</b>	<b>-20</b>	<b>-29</b>

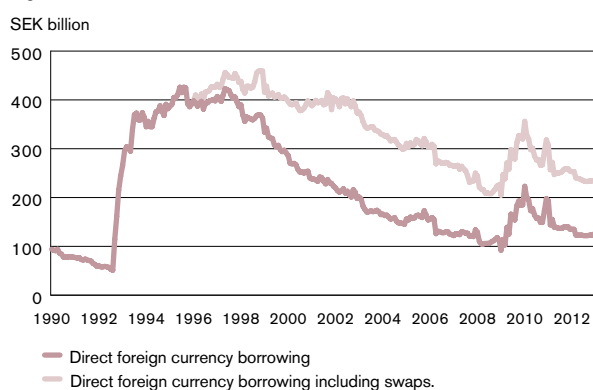
<sup>1</sup> Nominal values.

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

### 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.

Figure 6. DEVELOPMENT OF THE FOREIGN CURRENCY DEBT



Since the debt is declining we need a lower volume of cross currency swaps to maintain the share of foreign currency debt. The planned volume of currency swaps therefore decreases to SEK 20 billion in 2011. We do not expect to make any currency swaps in 2012.

### 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.

We announced in September 2010 that we would unwind the krona position. Since then the position has been gradually reduced while adjusting the pace to market conditions.

On 30 April, the remaining position amounted to just below SEK 8 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.

## T-BILL POLICY

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

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

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

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

## THE 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 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.



# Market information

Source: Swedish National Debt Office, unless otherwise stated

## NOMINAL GOVERNMENT BONDS, OUTSTANDING VOLUMES, 30 APR 2011

Maturity date	Coupon %	Loan no.	SEK million
8 Oct 2012	5.50	1046	63,724
5 May 2014	6.75	1041	80,750
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	81,487
1 Jun 2022	3.50	1054	27,995
30 Mar 2039	3.50	1053	40,250
Total benchmarks			520,732
Non benchmarks			250
Total government bonds			520,982

## T-BILLS, OUTSTANDING VOLUMES, 30 APR 2011

Maturity date	SEK million
18 May 2011	19,997
15 Jun 2011	33,502
20 Jul 2011	14,419
21 Sep 2011	29,997
Total T-Bills	97,915

## INFLATION-LINKED BONDS, OUTSTANDING VOLUMES, 30 APR 2011

Maturity date	Coupon %	Loan no.	SEK million
1 Apr 2012	1.00	3106	31,562
1 Apr 2014	0.00	3001	5,052
1 Dec 2015	3.50	3105	59,908
1 Jun 2017	0.50	3107	19,922
1 Dec 2020	4.00	3102	46,268
1 Dec 2028	3.50	3103	4
1 Dec 2028	3.50	3104	53,158
Total inflation-linked bonds			215,875

## 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
23 May 11	30 May 11*	3 Jun 11
23 May 11	31 May 11*	7 Jun 11
25 May 11	1 Jun 11	8 Jun 11
8 Jun 11	15 Jun 11	20 Jun 11
31 Aug 11	7 Sep 11	12 Sep 11
28 Sep 11	5 Oct 11	10 Oct 11
9 Nov 11	16 Nov 11	21 Nov 11
23 Nov 11	30 Nov 11	5 Dec 11
7 Dec 11	14 Dec 11	19 Dec 11

\* Exchange auction

## T-BILLS, AUCTION DATES

Announcement date	Auction date	Settlement date
18 May 11	25 May 11	27 May 11
1 Jun 11	8 Jun 11	10 Jun 11
15 Jun 11	22 Jun 11	27 Jun 11
22 Jun 11	29 Jun 11	1 Jul 11
10 Aug 11	17 Aug 11	19 Aug 11
24 Aug 11	31 Aug 11	2 Sep 11
7 Sep 11	14 Sep 11	16 Sep 11
5 Oct 11	12 Oct 11	14 Oct 11
19 Oct 11	26 Oct 11	28 Oct 11
2 Nov 11	9 Nov 11	11 Nov 11
16 Nov 11	23 Nov 11	25 Nov 11
30 Nov 11	7 Dec 11	9 Dec 11
14 Dec 11	21 Dec 11	23 Dec 11

## INFLATION-LINKED GOVERNMENT BONDS, AUCTION DATES

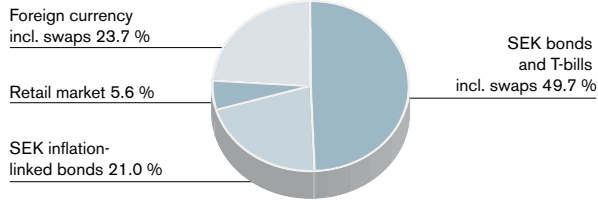
Announcement date	Auction date	Settlement date
25 Aug 11	1 Sep 11	6 Sep 11
8 Sep 11	15 Sep 11	20 Sep 11
8 Sep 11	16 Sep 11*	21 Sep 11
8 Sep 11	19 Sep 11*	22 Sep 11
8 Sep 11	20 Sep 11*	23 Sep 11
20 Oct 11	27 Oct 11	1 Nov 11
17 Nov 11	24 Nov 11	29 Nov 11

\* Exchange auction

### DEBT STRUCTURE

Total debt SEK 1,031.5 billion

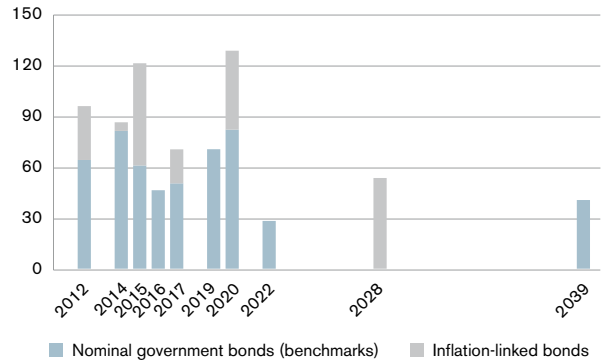
30 April 2011



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

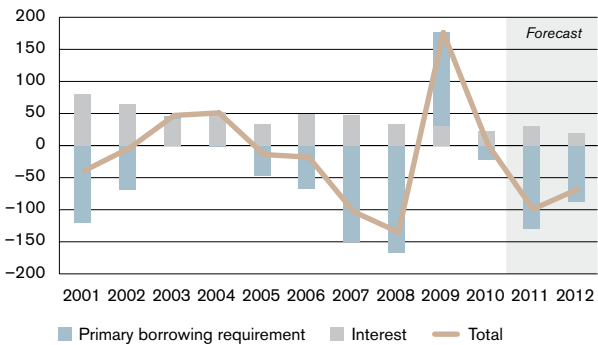
SEK billion

30 April 2011



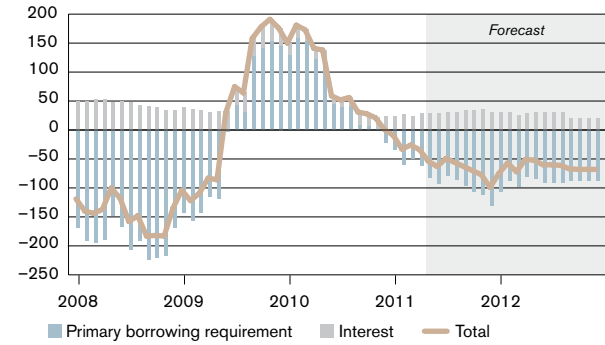
### CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 2001-2012

SEK billion

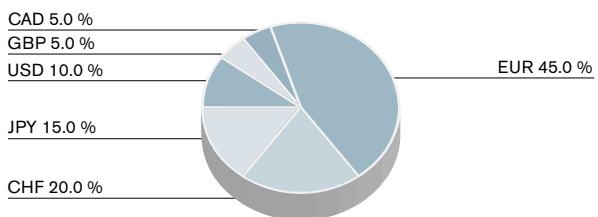


### CENTRAL GOVERNMENT NET BORROWING REQUIREMENT, 12 MONTHS

SEK billion

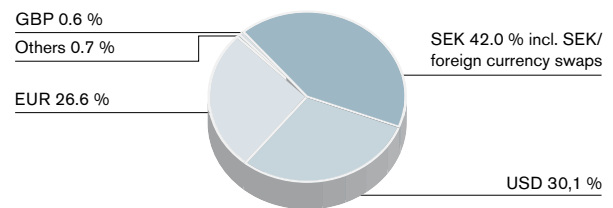


### BENCHMARK FOR THE FOREIGN CURRENCY DEBT COMPOSITION

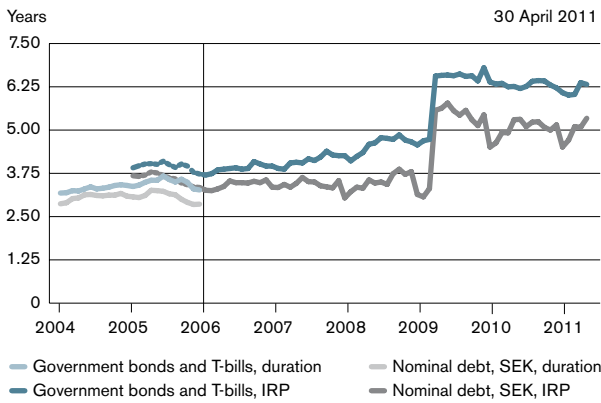


### FUNDING IN FOREIGN CURRENCIES

30 April 2011

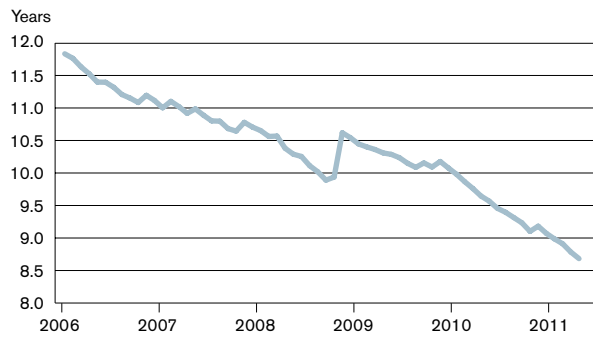


**INTEREST-RATE REFIXING PERIOD (IRP) AND DURATION OF SEK NOMINAL DEBT**

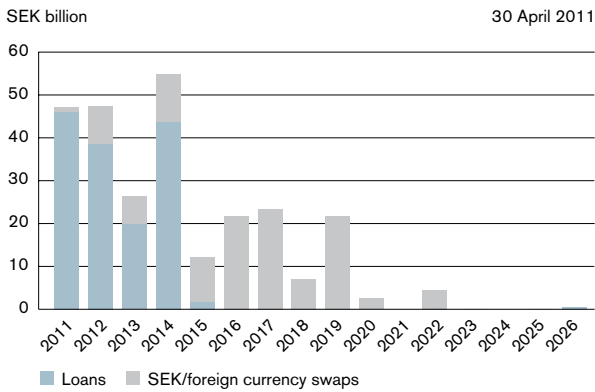


On 1 January 2006 the measure of maturity was changed from duration to interest-rate refixing period (IRP).

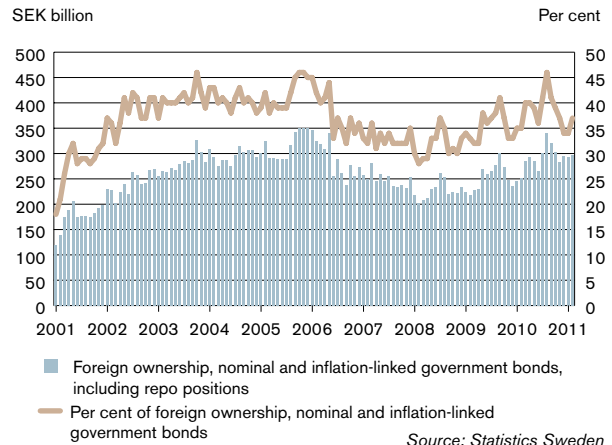
**INTEREST-RATE REFIXING PERIOD (IRP) OF INFLATION-LINKED DEBT**



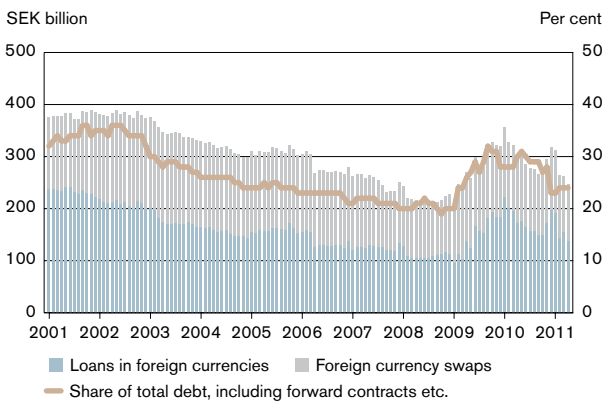
**MATURITY PROFILE, FOREIGN CURRENCY LOANS EXCLUDING CALLABLE BONDS**



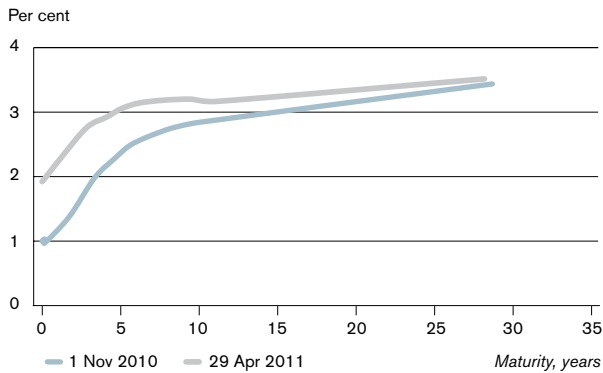
**FOREIGN OWNERSHIP OF NOMINAL AND INFLATION-LINKED GOVERNMENT BONDS INCLUDING REPO POSITIONS**



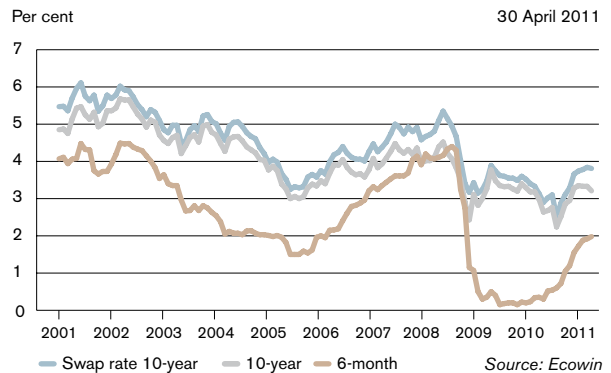
**CENTRAL GOVERNMENT DEBT EXPOSURE IN FOREIGN CURRENCIES**



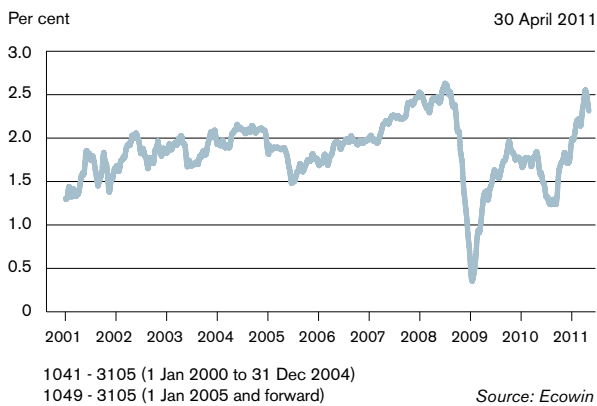
### YIELD CURVE, SWEDISH GOVERNMENT SECURITIES



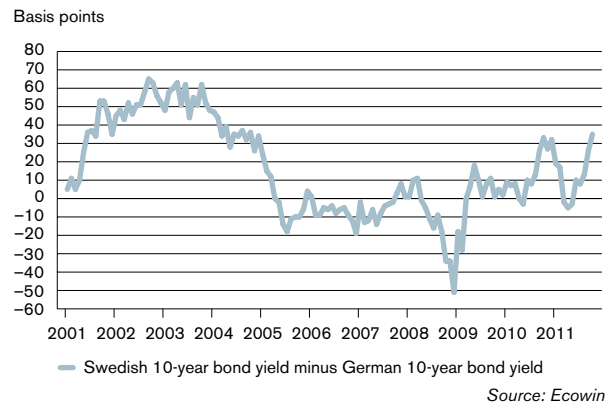
### HISTORICAL INTEREST RATES



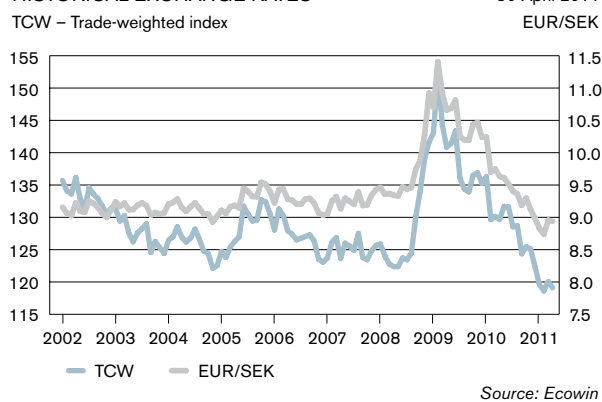
### BREAK-EVEN INFLATION



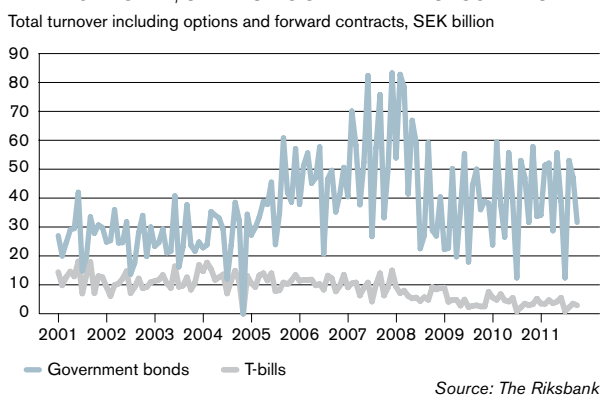
### INTEREST RATE SPREAD VS GERMANY, 10-YEAR



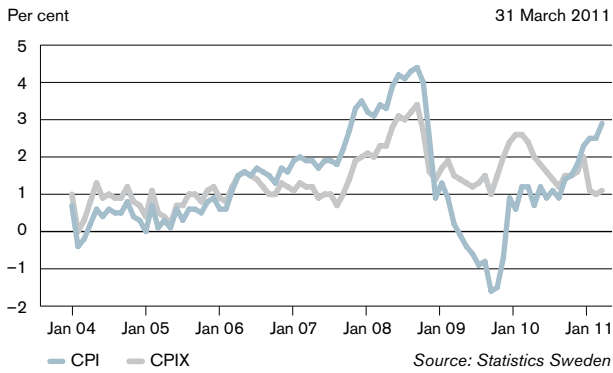
### HISTORICAL EXCHANGE RATES



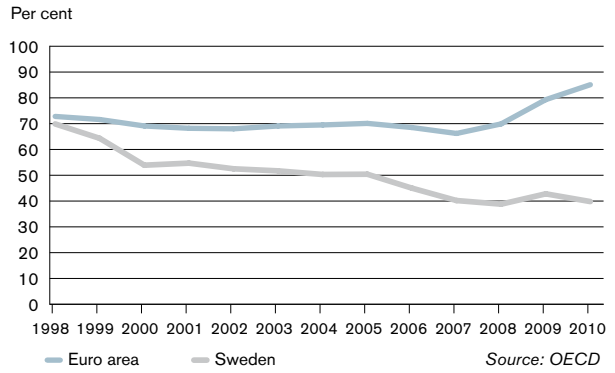
### DAILY TURNOVER, SWEDISH GOVERNMENT SECURITIES



CPI AND CPIX IN SWEDEN



GENERAL GOVERNMENT DEBT IN RELATION TO GDP



Primary dealers	Nominal 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.

Next report will be published:

2011:2

Tuesday 25 October, at 09:30 am

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