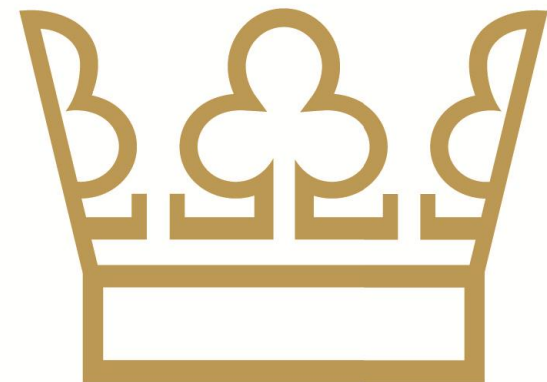


Central Government Borrowing

Forecast and Analysis 2013:2

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In *Central Government Borrowing – Forecast and Analysis 2013:2*, we present forecasts for central government finances and borrowing in 2013 and 2014. 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.

Hans Lindblad
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 borrowing 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

Sweden's central government net borrowing requirement for 2013 will be SEK 183 billion, which is an increase of SEK 18 billion compared with the Debt Office's previous forecast. Next year the borrowing requirement will be SEK 65 billion, which is SEK 2 billion more than in the previous forecast. Borrowing in government bonds remains unchanged.

The increased borrowing requirement is mainly due to the fact that the new forecast includes SEK 10 billion more of on-lending to the Riksbank than the previous forecast. At the end of May, the on-lending to the Riksbank's foreign-exchange reserves totalled SEK 200 billion, which means that the Riksbank has now used the entire facility.

The Debt Office expects that new fiscal easing will affect the net borrowing requirement by SEK 25 billion in 2014. The forecast does not contain any income from sales of state assets.

Central government debt is expected to amount to SEK 1 337 billion, or 37 per cent of GDP, by the end of 2013. It will grow by SEK 184 billion in 2013, which is mainly explained by the increased on-lending to the Riksbank. During 2014 the debt will increase further to SEK 1 398 billion. Sweden's central government debt as a share of GDP is among the lowest in the European Union.

The Swedish economy has resisted the international economic downturn relatively well. GDP growth is estimated at 1.5 per cent this year and 2.4 per cent in 2014.

Apart from funding of on-lending to the Riksbank, central government borrowing is largely unchanged during 2013 and 2014 compared with the previous forecast. Borrowing in government bonds remains at SEK 74 billion in 2013 and SEK 84 billion in 2014. The main part of issues will be in the ten-year maturity. At present the Swedish National Debt Office is not planning any auctions in longer maturities.

On January 29, 2014 a new government bond will be introduced. The bond will become a reference loan in June 2014. As before, exchanges will be offered into the new government bond in connection with the introduction. Additional exchanges will be offered before the loan becomes a reference loan.

This year, the annual rate of the issue volume of inflation-linked bonds will remain at SEK 12 billion. In 2014, however, it is to be raised to SEK 15 billion by an addition of three auctions. The reason for this increase is to counter the decline in the share of inflation-linked debt. Demand for inflation-linked bonds is strong and a larger supply may contribute to improving liquidity further in the market.

Borrowing in the T-bill market is expected to remain at the same level as in the previous forecast. The T-bill stock will amount to SEK 150 billion by year-end 2014.

Borrowing in commercial paper will increase in 2013 and 2014. The reason is that a larger part than previously expected of the on-lending to the Riksbank is to be in commercial paper. In addition, the Debt Office plans to borrow more in commercial paper on its own account in 2014 compared with the previous forecast.

Small changes in borrowing requirement

The central government net borrowing requirement for 2013 will be SEK 183 billion, which is an increase of SEK 18 billion compared with the February forecast. Next year the net borrowing requirement will be SEK 65 billion, which is an increase of SEK 2 billion compared with the previous forecast. GDP growth is estimated at 1.5 per cent this year and 2.4 per cent in 2014.

The net borrowing requirement will be SEK 183 billion for 2013 and SEK 65 billion in 2014 according to the Debt Office's new forecast.

The forecast for 2013 includes on-lending to the Riksbank of SEK 109 billion, an increase of SEK 10 billion compared with the previous forecast. The Debt Office has a mandate to borrow the equivalent of SEK 200 billion in foreign currencies on behalf of the Riksbank. The Riksbank has now chosen to use the entire facility

Central government debt is estimated at SEK 1 337 billion at the end of 2013 and SEK 1 398 billion at the end of 2014. This corresponds to 37 per cent of GDP in both years. Further information about the development of the debt is presented in the section regarding funding.

TABLE 1 CENTRAL GOVERNMENT NET BORROWING REQUIREMENT AND CENTRAL GOVERNMENT DEBT

SEK billion	2012	2013	2014
Primary borrowing requirement	-2	169	45
of which net lending to agencies excl. on-lending	-5	6	4
of which on-lending	5	112	1
of which sales of state assets	0	0	0
of which other primary borrowing	-3	51	40
Interest payments on central government debt	27	14	20
Net borrowing requirement	25	183	65

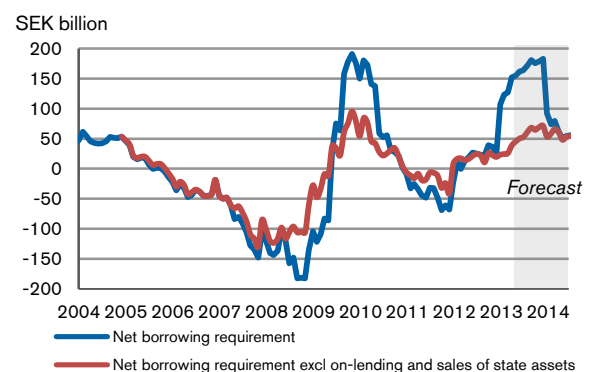
Growth in the first quarter was stronger than anticipated, but the economic situation is still relatively weak. The Debt Office expects a cautious upswing in the economy during the second half of this year and during next year.

The net borrowing requirement for 2013 is SEK 18 billion higher compared with the previous forecast. Of this SEK 10 billion is due to more on-lending to the Riksbank. Furthermore tax income will decrease by SEK 2 billion and expenditure will be higher.

In 2014 the net borrowing requirement increases by SEK 2 billion compared with the previous forecast. Tax income is more or less unchanged, disbursements to labour market policies are somewhat higher, and interest payments on central government debt lower.

As in previous forecast, the Debt Office expects that new fiscal easing will affect the net borrowing requirement by SEK 25 billion in 2014. The forecast does not contain any income from sales of state assets.

FIGURE 1 CENTRAL GOVERNMENT NET BORROWING REQUIREMENT 2004-2014, 12-MONTH FIGURE



Slow recovery

The Swedish economy continues to resist the global recession relatively well. This year, GDP is expected to grow by 1.5 per cent. Next year, growth will increase to 2.4 per cent.

Since the last forecast two quarterly outcomes in the National Accounts have been published. The outcome for GDP growth in 2012 was 0.7 per cent, which was in line with the Debt Office's forecast.

GDP growth in the first quarter was slightly stronger than expected. In calendar-adjusted terms, GDP grew by 1.7 per cent compared with the same quarter last year. This is a strong figure in relation to the rest of Europe. The

outcome has not led to any major revision of the forecast for this year, since it partly consisted of temporary effects such as inventories.

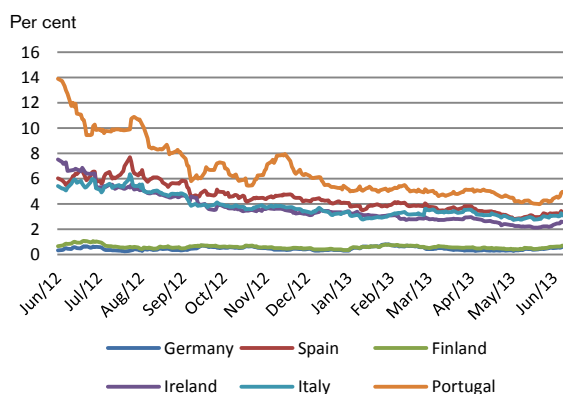
Despite the first quarter's relatively strong growth figure, economic indicators do not point in any clear direction.

The Economic Tendency Survey of the National Institute of Economic Research (NIER) continues to move sideways at levels that signal low economic activity. However, the latest purchasing managers' index indicates a slight rise. Meanwhile, investments fell by 7.2 per cent during the first quarter, suggesting that confidence was low. The GDP outcome also contained some positive elements. For example, productivity increased and household disposable income continued to grow at a healthy pace.

The global recovery is continuing, but progress is slow. U.S. growth was 2.4 per cent in the first despite fiscal policy tightening. Meanwhile, the labour market continues to improve. The economic development in Asia has slowed somewhat during the spring.

The situation in Europe remains strained. However, financial markets have continued to stabilize. Lower interest rates open for a slightly less tight fiscal policy. In addition, several countries have been given a respite to achieve budget targets. Fiscal policy is also expected to move in a less contractionary direction in countries with more stable central government finances. This should have positive effects on growth in Europe.

FIGURE 2 INTEREST RATES ON FIVE YEAR GOVERNMENT BONDS



The subdued state of economy in the world and the strong krona lead to slow growth in Swedish exports this year. In the first quarter, exports fell by 2.9 per cent. Exports of goods fell by 5.4 per cent on annual rate, while exports of services grew by 3.1 per cent. The Debt Office anticipates an improvement in the second half of the year leading to a positive figure for the full year.

Table 2 national accounts, gdp

Percentage change	2012	2013	2014
GDP	0.7	1.5	2.4
Household consumption	1.5	1.9	2.3
General government consumption	0.7	0.6	1.0
Gross fixed capital formation	3.2	-0.5	4.0
Changes in inventories incl. valuables ¹	0.0	0.0	0.1
Exports	0.8	1.4	4.5
Imports	0.0	0.3	4.7

¹ Change in per cent of GDP previous year

Household consumption will maintain growth

Despite the international turmoil, the financial position of Swedish households is strong. Disposable incomes grow by just over 3 per cent both this year and next year. Wealth development is supported by rising house prices, stock markets, at the same time as savings are relatively high. Many households also benefit from low interest rates.

Private consumption will increase by 1.9 per cent this year and 2.3 per cent next year. This helps to maintain overall GDP growth. In the long-term consumption depends on income, but it can vary in the short term, depending on expectations about the future. Increased uncertainty in the labour market means that households hold back their consumption. The high level of savings could mean that there is scope for consumption to rise fast when confidence improves.

Rising employment and unemployment

Low demand and continued uncertainty are affecting the labour market in 2013 and 2014. Unemployment is expected to be 8.3 per cent in 2013 and 8.2 per cent in 2014 on average. Employment increases slightly both this year and next year, but average hours of work fall and the growth in number of hours worked is also weak. The weak labour market situation and low inflation mean that wage increases are expected to be moderate in the coming years.

Despite the weak economy, employment has continued to rise at the beginning of 2013. Meanwhile, unemployment has increased, which is linked to the faster growth of the labour force. This is due partly to demographic reasons and partly due to increased labour force participation. The number of hours developed weakly in the first quarter and fell by 0.9 per cent, according to the National Accounts.

Companies remain pessimistic in their hiring plans. According to the NIER the pattern has been broadly similar since autumn 2012. Redundancy notices have consistently been higher this year compared to the same period in 2012. The increase is, however, small. The numbers of new jobs are at levels that practically correspond to last year's. Overall, no major changes in the unemployment rate in the near future are expected.

TABLE 3 LABOUR MARKET AND WAGES¹

Percentage change unless otherwise stated

	2012	2013	2014
Employment	0.7	0.3	0.5
Unemployment ¹	8.0	8.3	8.2
Wage sum	3.9	2.6	3.2
Hours	0.9	-0.1	0.5
Hourly wages	2.9	2.7	2.7

¹ 15-74 years, per cent of labour force

Net borrowing requirement 2013 and 2014

The Debt Office estimates the net borrowing requirement in 2013 at SEK 183 billion. Next year, the borrowing requirement is revised up by SEK 2 billion, to SEK 65 billion.

TABLE 4 CHANGES SINCE LAST FORECAST 2013-2014

SEK billion	2013	2014
Forecast February 2013	165	63
Changes in terms of net borrowing requirement ¹⁾		
Taxes	2	1
Labour market	2	1
Social insurance	2	3
Dividends	-2	1
Net lending excl. on-lending	3	-1
On-lending	10	1
Interest payments	-1	-2
Other	3	-2
Sum of changes	18	2
Forecast June 2013	183	65

¹ 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.

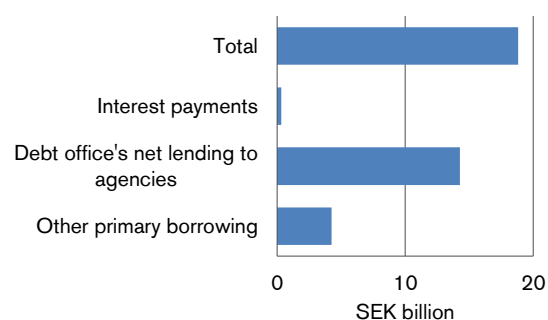
Monthly outcome February to May

During the period February to May the forecast deviations have been large. This is mainly due to temporary effects in the Debt Office's net lending to agencies. The agencies' ordinary payments, as well as interest payments on central government debt, have been close to forecast.

The monthly deviations ranged from SEK -16 billion to SEK 19 billion. The total difference during the period amounted to SEK 19 billion. The greater part, SEK 14 billion, is due to the Debt Office's net lending to government agencies, which includes the on-lending to Riksbank.

The on-lending to the Riksbank was SEK 110 billion, which was SEK 10 billion more than estimated. Other primary net borrowing was SEK 4 billion higher than forecast. Taxes account for just over SEK 1 billion and the remainder is due to a higher EU contribution and labour market expenditure.

FIGURE 3 FORECAST DIFFERENCES IN NET BORROWING REQUIREMENT FEBRUARY TO MAY 2013



Marginally lower tax income

Tax income is SEK 2 billion lower in 2013 and SEK 1 billion lower in 2014, compared with the previous forecast. Above all, it is income from consumption taxes including customs VAT, that has been revised downwards. This is partly offset by household capital gains, which has been revised slightly upwards.

TABLE 5 TAX INCOME; CHANGES SINCE LAST FORECAST¹

SEK billion	2013	2014
Payroll taxes	1	-1
Consumption taxes	3	4
Corporate taxes	-1	1
Supplementary taxes	-1	-3
Total	2	1

¹ Changes in terms of net borrowing requirement. A plus sign indicates a decrease in tax income and an increase in the net borrowing requirement.

Lower income from VAT

Since the previous forecast, income from VAT has been revised downwards by SEK 3 and SEK 4 billion in 2013 and 2014. This is mainly due to falling imports, which lead to lower income from customs VAT. Other central government VAT income is largely unchanged from the previous forecast.

Weak development for payroll taxes

The number of people employed has continued to rise in early 2013. However, the number of hours worked declined. This is also confirmed by statistics from the Swedish Tax Agency indicating a weak trend in the wage sum in the first four months of this year.

The Debt Office has revised down the wage sum growth rate by 0.2 percentage point to 2.6 per cent for 2013 and 0.4 percentage point to 3.2 per cent for 2014. These are relatively low levels by historical standards reflecting the weak economic situation and a weak labour market. Low inflation also contributes to moderate wage increases in the coming years.

Household net interest income improves between 2012 and 2013 and compared with the previous forecast. This

is primarily due to lower interest expenses as interest rate levels have dropped. Lower interest income is offset by higher dividend income. Next year, interest expenses rise about the same as income from interest and dividends.

Household capital gains have been revised up marginally this year and next year, compared with the previous forecast. Housing prices have continued to rise in 2013. According to the HOX index, the price level is now 7 per cent higher than in December 2012. Stock markets have also risen. This suggests higher capital gains. Historically household capital gains have fluctuated widely and are difficult to forecast. In addition to uncertainty about the development of asset prices, it is difficult to predict the rate at which gains and losses are realised.

Weak development for corporate tax

The prolonged economic downturn, with low demand from both domestic markets and export markets leads to moderate growth in income from corporate tax.

Altogether taxable corporate profits are estimated to have declined in 2012, even though the picture given by the annual accounts is disparate, with large differences between sectors. For example, banks increased their profits, while the export-dependent manufacturing industries in particular decreased their profits.

The weak trend is estimated to have continued into the beginning of 2013. The NIER Economic Tendency Survey indicates that the current situation is much weaker than normal, and confidence indicators for all sectors are below their historical average.

Both the manufacturing and private service sectors anticipate a slight rise in production, but falling employment. This indicates a slow recovery in profit levels, initially mainly by companies adjusting to lower demand, by reducing the number of employees and cutting costs. Profit levels are therefore expected to remain almost unchanged between 2012 and 2013. As economic growth picks up in 2014, profit levels will rise. Income from corporate tax is expected to increase by around 5 per cent.

TABLE 6 ASSUMPTIONS IN TAX FORECAST, CURRENT PRICES

Percentage change	2012	2013	2014
Households consumption	2.7	2.3	3.4
Wage sum	3.9	2.6	3.2
Households disposable income	4.2	3.2	2.9
Household savings ¹	5.1	6.0	5.5
Investment	3.7	-0.7	4.6
Exports	-0.8	-1.2	5.1

¹ Own saving as share of disposable income

Dividends from state enterprises

Compared with the previous forecast, dividends increase by SEK 2 billion this year. This is entirely due to LKAB

providing an extraordinary dividend of SEK 2 billion, in addition to its regular dividend. Total expected dividends on state-held shares amount to SEK 21 billion this year, falling to SEK 17 billion in 2014. The decrease between years is primarily due to lower expected dividends from LKAB and Vattenfall AB.

Expenditure on unemployment and sickness benefits increases

High unemployment implies a continued pressure on labour market expenditure. The increase in unemployment benefits and active labour market programmes has been larger than in the previous forecast. Total disbursements have therefore been revised upwards by approximately SEK 2 billion this year and SEK 1 billion next year. On average approximately 297 000 full year equivalents are estimated to receive unemployment benefits in 2013. As the economy improves, volumes will fall to around 288 000 full year equivalents 2014.

TABLE 7 VOLUMES IN TRANSFER SYSTEMS

Full-year equivalents	2012	2013	2014
Sickness benefit	117	125	124
Activity/Sickness compensation	328	312	295
Unemployment insurance	92	107	101
Activity support	178	189	187
Total	715	734	707

Central government expenditure on sickness benefits and sickness and activity compensation has declined gradually over several years. During the forecast period the downward trend in sickness and activity compensation continues, which is mainly due to large transitions to old age retirement and a low inflow due to more restrictive policies.

The development of sickness benefits is more difficult to interpret. The number of benefit days has been higher than forecast mainly because of a higher inflow. Moreover the flow of people who recently had temporary sickness and activity compensation back to sickness benefits has been higher than estimated. Altogether this means that disbursements on sickness benefits have been revised upwards by around SEK 1.5 billion per year 2013 and 2014. The future trend is uncertain and contains an expenditure risk in the longer term.

Higher membership fee to the EU

The membership fee to the EU is expected to increase by SEK 3 billion in 2013 and SEK 2 billion in 2014 compared to the previous forecast. The change is due to expected and adopted amending budgets in the EU budget that affect payments this year and next.

Net lending by the Debt Office to agencies, etc.

The Debt Office's net lending is estimated at SEK 118 billion this year. This is an increase of SEK 13 billion

compared with the previous forecast, and is mainly explained by higher on-lending to the Riksbank.

The net lending of the Debt Office in 2014 is estimated at SEK 5 billion, which is an increase by some SEK 1 billion compared with the previous forecast. The reason for the upward revision is new estimates concerning deposits of government agencies and public enterprises as well as somewhat larger exchange rate losses associated with the refinancing of maturing loans on behalf of the Riksbank. The large reduction in net lending between 2013 and

2014 is due to the fact that the Debt Office does not expect any further on-lending next year.

The on-lending to the Riksbank as well as to Iceland and Ireland is matched by claims of the same size. Consequently, it 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 is the official measure of central government debt. Interest payments on central government debt do not increase as the borrowers pay interest to the Debt Office that corresponds to the costs.

CHANGES IN THE NET BORROWING REQUIREMENT BETWEEN YEARS

The table explains how the net borrowing requirement changes between 2009 and 2014 and how various parts of the net borrowing requirement affect the change¹.

Between 2012 and 2013 the net borrowing requirement increases by SEK 158 billion from SEK 25 billion to SEK 183 billion. Around SEK 107 billion of this increase is due to higher on-lending. Over the same period tax income decreases by SEK 30 billion and thus contributes to the increase of the borrowing requirement compared with 2012.

Next year, the borrowing requirement decreases by SEK 118 billion compared with 2013. This is mainly due to the decrease in on-lending amounting to SEK 111 billion. Tax income increases by SEK 47 billion as the economy improves. The Debt Office also expects fiscal easing totalling SEK 25 billion, which is included in the item "Other".

(SEK) billion	2009	2010	2011	2012	2013	2014
Net borrowing requirement, level	176	1	-68	25	183	65
Net borrowing requirement, change	311	-175	-69	93	158	-118
Explained by;						
Taxes	110	-77	-65	48	30	-47
Government grants to local governments	16	-6	12	-3	4	-1
Labour market	10	8	-2	2	5	-1
Social Insurance	-6	-1	-5	4	3	4
Sales of state-owned assets	77	0	-23	23	0	0
Share dividends	5	3	-10	5	1	3
EU contribution	-8	10	-3	5	2	0
Debt Office's net lending excl. on-lending	41	-17	5	-11	11	-3
On-lending	96	-99	-1	9	107	-111
Interest on government debt	-2	-8	11	-7	-13	6
Other	-27	13	10	19	9	31

¹ Minus means that the net borrowing requirement decreases and plus that it increases. For example, "30" for "Taxes" in the column for 2013 means that taxes decreases by SEK 30 billion compared with 2012.

Lower interest payments on central government debt

Interest payments on central government debt are estimated at slightly more than SEK 14 billion this year and SEK 20 billion next year.

Compared with the forecast in February interest payments this year have been revised downwards by approximately SEK 1 billion which is mainly due to higher exchange rate gains.

For 2014 interest payments have been revised downwards by SEK 2 billion mainly because of higher issues sold at premium.

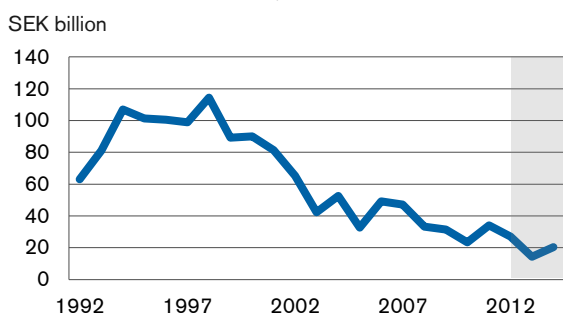
TABLE 8 INTEREST PAYMENTS ON CENTRAL GOVERNMENT DEBT 2013-2014, SEK BILLION

SEK billion	2013	2014
Interest on loans in SEK	22.4	29.5
Interest on loans in foreign currency	0.8	0.7
Currency gains and losses realised	-8.9	-9.8
Interest payments	14.3	20.4

Low interest rates and falling debt have caused interest payments on central government debt to fall to historically low levels in recent years, as shown in Figure 2.

The Debt Office uses cut-off rates for the estimation of interest payments and valuation of on-lending to the Riksbank. The cut-off date for this forecast is 31 May.

FIGURE 4 INTEREST PAYMENTS ON CENTRAL GOVERNMENT DEBT 1992-2014, CURRENT PRICES



Budget balance and central government net lending

The Debt Office estimates that central government net lending will be -1.1 per cent of GDP in 2013 and -1.2 per cent in 2014. The fact that the net lending deteriorates in 2014, despite the improving economy, is due in part to the unchanged assumption on fiscal easing totalling SEK 25 billion next year.

TABLE 9 CENTRAL GOVERNMENT NET LENDING 2010-2014

SEK billion	2010	2011	2012	2013	2014
Budget balance	-1	68	-25	-183	-65
Adjustment items	-12	-73	3	142	20
Sale of limited companies	0	-23	0	0	0
Parts of Debt Office's net lending	-3	-5	8	119	7
Accruals etc.	-9	-45	-4	23	12
Central government net lending	-13	-5	-21	-41	-45
Per cent of GDP	-0.4	-0.1	-0.6	-1.1	-1.2

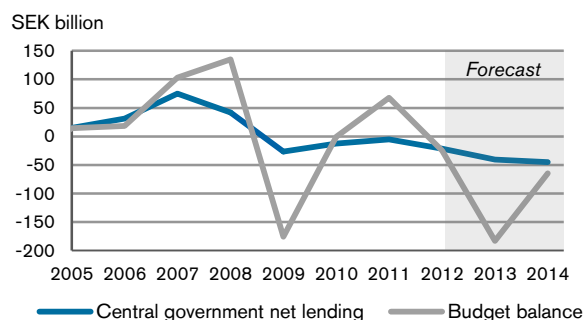
Central government financial net lending is generally a better indicator of the underlying central government finances than the borrowing requirement and the budget balance. The budget is a cash basis measurement that measures central government income and expenditure.

Financial net lending accrues payments to the time when the economic activity occurred.

Financial net lending is also adjusted for payments that do not affect central government financial wealth. If the government sells financial assets, such as shares, net financial lending is not affected. The government makes a reallocation of assets in the balance sheet, i.e. the shares are exchanged for cash. Once the payment is made, the budget balance is affected and public debt decreases. The amortization of debt does not affect central government financial wealth, as assets decrease by an equal amount.

In the same way, net financial lending is unaffected by the on-lending to the Riksbank. Net financial lending is not affected because, in its balance sheet, central government gets an asset (a claim on the Riksbank) corresponding to the increased debt that has occurred to finance the on-lending to the Riksbank. However, the budget balance is affected.

FIGURE 5 CENTRAL GOVERNMENT NET LENDING AND BUDGET BALANCE



Monthly forecast for the net borrowing requirement

The net borrowing requirement varies sharply between months. The table below presents monthly forecasts for 2013 and 2014.

TABLE 10 CENTRAL GOVERNMENT NET BORROWING

SEK billion	Primary borrowing requirement	Interest on central government debt	Net borrowing requirement
2013			
Jun	33.1	1.9	35.1
Jul	4.4	0.1	4.5
Aug	-8.3	5.1	-3.2
Sep	7.7	-1.5	6.2
Oct	11.1	-2.1	9.1
Nov	-5.3	0.5	-4.8
Dec	75.1	8.4	83.5
2014			
Jan	6.7	-1.7	5.0
Feb	-41.7	8.1	-33.6
Mar	-5.3	5.5	0.2
Apr	-15.6	-0.8	-16.5
May	-30.3	-4.8	-35.0
Jun	34.7	4.5	39.2
Jul	5.0	0.6	5.6
Aug	-7.5	5.2	-2.3
Sep	8.6	-0.5	8.1
Oct	13.1	-2.2	11.0
Nov	-6.5	0.2	-6.3
Dec	83.5	6.3	89.8

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.

The variations from month to month are largely explained by variations in tax income, tax refunds, repo transactions by agencies and the Debt Office's on lending. Also some large individual payments affect the monthly pattern.

The large borrowing requirement in December is normal for this month and is attributable to the Debt Office's net lending (including the payment of premium pensions),

excess tax and interest payments on central government debt.

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 changes in some important macro variables have on the net borrowing requirement. The table shows a rough estimate of these effects one year ahead. In making an assessment of an alternative scenario where a number of variables develop differently, these effects may be added.

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

¹ Local government taxes on employment are paid to local authorities 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.

FORECAST COMPARISONS

All forecasters have a relatively similar picture of the development of the borrowing requirement in 2013 and 2014. For 2013, the Debt Office is slightly higher than other forecasters, which is due to new on-lending to the Riksbank being higher in the Debt Office's forecast. The Debt Office has taken into consideration the outcome in May, which the other forecasters will do when they publish new forecasts. Next year the Debt Office and NIER calculate a slightly higher borrowing requirement than the Government and the Swedish National Financial Management Authority (ESV). This is mainly because the Debt Office and NIER make assumptions about fiscal reforms that have not yet been decided, which the government and ESV do not. The Government's forecast also includes a standard rate of income from sales of state assets of SEK15 billion per year.

SEK billion	Debt office (18 Jun)		Government (11 Apr)		NIER (21 Mar)		ESV (27 Mar)	
	2013	2014	2013	2014	2013	2014	2013	2014
Net borrowing requirement	183	65	150	17	163	58	159	26
of which:								
Sales of state assets	0	0	-15	-15	0	0	0	0
New on-lending to the Riksbank	109	1	98	0	99	0	99	0
Fiscal easing	0	25	0	0	0	15	0	0
Adjusted net borrowing requirement	74	39	67	32	64	43	60	26

Minor changes in government borrowing

Apart from funding of on-lending to the Riksbank, central government borrowing is largely unchanged during 2013 and 2014 compared with the previous forecast. Borrowing in government bonds remains at SEK 74 billion in 2013 and SEK 84 billion in 2014. The issue volume of inflation-linked bonds will be raised from SEK 12 billion to SEK 15 billion in 2014. The T-bill stock reaches a level of SEK 150 billion by the end of 2014. During 2013 and 2014, the Swedish National Debt Office will issue a volume equivalent to SEK 137 billion and SEK 73 billion, respectively in foreign currency bonds.

Central government borrowing will increase by SEK 17 billion this year and SEK 38 billion next year. This forecast does not include any income from the sale of state-owned companies. The total gross borrowing requirement is estimated at SEK 433 billion in 2013 and SEK 459 billion in 2014; see table 1.

The rise in the borrowing requirement compared with the previous forecast is mainly related to on-lending to the Riksbank. During 2013 the gross borrowing requirement rises due to an increase in the net borrowing requirement, where additional on-lending to the Riksbank is the main reason. During 2014 the larger borrowing requirement is a result of larger redemptions of short-dated certificates in foreign currency (commercial paper) and foreign currency bonds on behalf of the Riksbank..

TABLE 1 GROSS BORROWING REQUIREMENT 2012–2014

SEK billion	2012	2013	2014
Net funding requirement	25	183	65
Business day adjustment¹	-6	0	-6
Retail borrowing & collateral, net²	-1	9	6
Money market redemptions³	159	206	211
T-bills	72	105	130
Commercial paper	43	77	41
Liquidity management	45	24	40
Bond redemptions	123	31	167
Government bonds	64	10	78
Inflation-linked bonds	21	0	3
Foreign currency bonds	39	22	86
Exchanges & buy-backs, net	6	4	16
Government bonds	2	1	5
Inflation-linked bonds	4	3	10
Foreign currency bonds	0	0	0
Total gross funding requirement	307	433	459

¹ Adjustment for the difference between settlement day and business day. The net borrowing requirement is cashflow-based (settlement day) as opposed to funding and outstanding debt.

² Net change in retail borrowing and collateral

³ Initial stock maturing within 12 months

Borrowing in government bonds remains at SEK 74 billion this year and SEK 84 billion next year. The main part of issues will be in the ten-year maturity. At present the Debt Office is not planning any auctions in longer maturities.

This year, the annual rate of the issue volume of inflation-linked bonds will remain at SEK 12 billion. In 2014, however, it is to be raised to SEK 15 billion by an addition of three auctions. The reason for this increase is to counter the decline in the share of inflation-linked debt. Demand for inflation-linked bonds is strong and a larger supply may contribute to improving liquidity further in the market.

Borrowing in T-bills will remain unchanged at the same level as in the previous forecast. The outstanding stock is expected to amount to SEK 150 billion by the end of 2014.

TABLE 2 BORROWING COMPARED WITH PREVIOUS FORECAST

SEK billion	2013		2014	
	Jun	(Feb)	Jun	(Feb)
Money market funding	211	(194)	287	(254)
T-bills	130	(130)	150	(150)
Commercial paper	41	(24)	97	(64)
of which on-lending to the Riksbank	31	(14)	35	(14)
Liquidity management	40	(40)	40	(40)
Bond funding	222	(222)	172	(167)
Government bonds	74	(74)	84	(84)
Inflation-linked bonds	12	(12)	15	(12)
Foreign currency bonds	137	(137)	73	(71)
of which on-lending to the Riksbank	124	(130)	40	(32)
Total gross funding	433	(416)	459	(422)

¹ Outstanding stock as of year-end.

The Debt Office is planning to issue bonds in foreign currency totalling SEK 46 billion in 2013 and 2014 in addition to the on-lending to the Riksbank. This is in line with the previous forecast.

The Debt Office has a mandate to issue foreign currency bonds on behalf of the Riksbank, in order to strengthen foreign exchange reserves. This is entirely financed by foreign currency loans. The SEK borrowing is therefore not affected by the on-lending to the Riksbank. For more information, see the section on on-lending to the Riksbank on page 13.

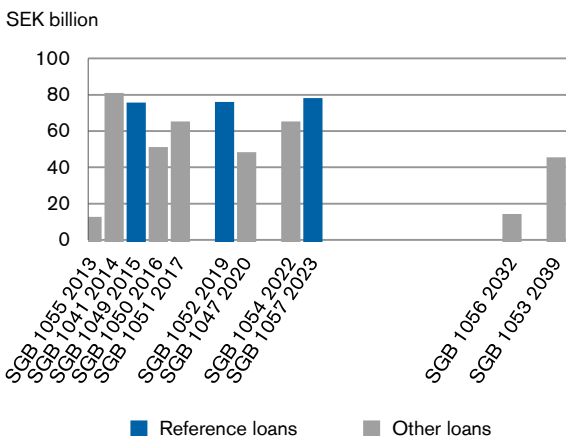
TABLE 3 IMPORTANT DATES 2013 AND 2014

Date	Time	Activity
23 October	09.30	Central Government Borrowing – Forecast and Analysis 2013:3
3 December	09.30	Press release on exchanges to SGB 1058 X% 12 May 2025
3 December	09.30	Press release on exchanges to SGB IL 3109 X% 1 Jun 2025
5 December	11.00	Exchanges from SGB IL 3105 3.5% 1 Dec15
22 January	16.20	Terms SGB 1058 X% 12 May 2025
29 January	11.00	First issue of SGB 1058 X% 12 May 2025
30 January-	11.00	Exchanges to SGB 1058 X% 12 May 2025
4 February		
30 January	16.20	Terms SGB IL 3109 X% 1 Jun 2025
6 February	11.00	First issue of SGB IL 3109 X% 1 Jun 2025
7-11 February	11.00	Exchanges to SGB IL 3109 X% 1 Jun 2025

Unchanged government bond borrowing

The issue volume of nominal government bonds remains at SEK 74 billion and SEK 84 billion during 2013 and 2014. The Debt Office will primarily borrow in the 10-year segment. There will be additional issues in the 5-year and 2-year maturities. As before, the forecast includes a rise in auction volumes from SEK 3.5 billion to SEK 4.0 billion from January 2014.

FIGURE 1 OUTSTANDING GOVERNMENT BOND (BENCHMARKS) ON 31 MAY 2013



Borrowing in long-term bonds is not on the agenda

The Government decided in November to raise the benchmark for the outstanding volume of government bonds with maturity longer than 12 years from SEK 60 billion to SEK 70 billion. The benchmark is a long-term target. This means that the stock will increase gradually at a pace that depends on demand.

In the current market, the Debt Office believes demand for long-term bonds is small. It is therefore not on the agenda to plan to issue bonds with maturities longer than 12 years. However, the Debt Office does have possibility of selling smaller volumes in auctions if there should be

indications of clear demand. The 30-year bond issued in 2009 by the Debt Office is now closer to a maturity of 25 years. Investors who require long may wish to replace this bond with a longer one. Provided there is demand, the Debt Office could consider introducing a new 30-year bond in a couple of years. The introduction of such a bond would mainly be done by exchanges from the current longest bond SGB 1053 3.50% 30 Mar 39.

New 10-year bond in 2014

On January 29, 2014 a new government bond SGB 1058 X % 12 May 25 will be introduced. The bond will become a reference loan in June 2014. As before, exchanges will be offered into the new government bond in connection with the introduction. Additional exchanges will be offered before the loan becomes a reference loan.

TABLE 4 CHANGE OF REFERENCE LOANS IN THE ELECTRONIC INTERBANK MARKET

Date of change (IMM date) ¹	2-year	5-year	10-year
Current reference loans	1049	1052	1057
18 December 2013	1050		
18 June 2014			1058

¹ The reference loan in electronic trading 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 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. 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 STOCK OF GOVERNMENT BONDS

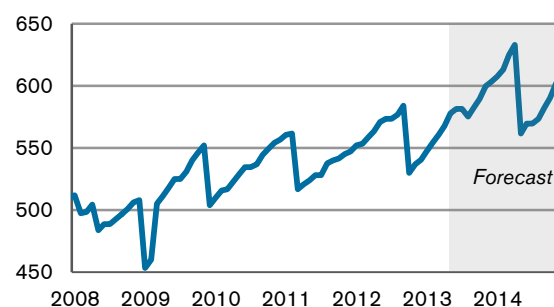
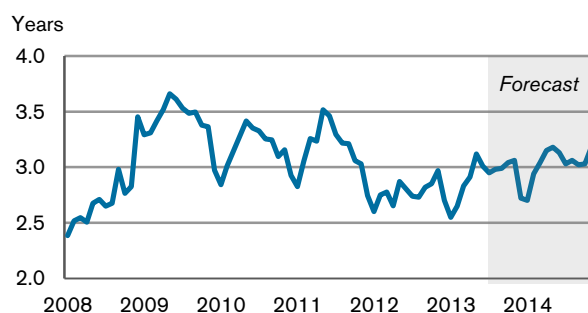


FIGURE 3 THE INTEREST RATE REFIXING PERIOD OF NOMINAL KRONA DEBT FOR MATURITIES OF UP TO 12 YEARS



T-BILL POLICY

Every third month, the Debt Office issues a new six-month bill, maturing on an IMM date (the third Wednesday in March, June, September or December). A new three-month bill is introduced in the other months.

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

Normally, the whole issued amount is borrowed in the new T-bill that is introduced in the auction. Allocation between T-bills is governed by the borrowing requirement. If there is an issue of T-bills in the shortest maturities, it is normally done so on tap.

The Debt Office also has on tap issues in T-bills with tailor-made maturities (liquidity bills) and in the two shortest maturities within the framework of liquidity management.

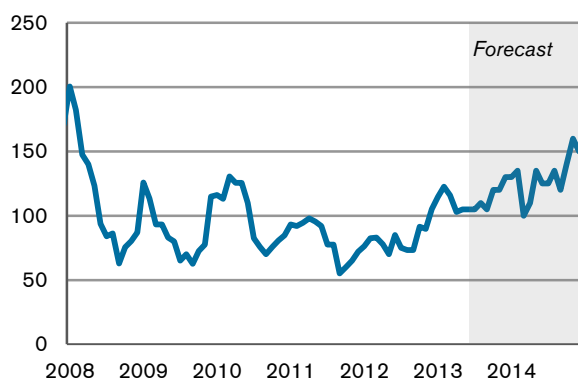
T-bill stock unchanged

The T-bill stock is expected to remain at the same level as in the previous forecast. The average outstanding volume will be SEK 110 billion during 2013 and SEK 130 billion in 2014. As forecast in February the T-bill stock will amount to SEK 150 billion by year end 2014.

At present a T-bill volume of around SEK 15 billion per auction is issued. The volume will mostly remain at this level, although it may vary between months as the borrowing requirement can fluctuate considerably over the year.

FIGURE 4 OUTSTANDING T-BILL STOCK

SEK billion



Ever since the financial crisis the Swedish T-bill market has been less liquid, one reason being that the

outstanding T-bill stock has decreased sharply from 2008 onwards, due to a lower borrowing requirement. Lately, there have been indications that the situation in the market is somewhat improved. Demand for T-bills will most likely continue to vary. At times when demand is weak, the Debt Office may temporarily replace part of the planned issue volume with borrowing in commercial paper.

Borrowing in commercial paper to increase

Borrowing in commercial paper will increase in 2013 and 2014. The reason is that a larger part than previously expected of the on-lending to the Riksbank is to be in commercial paper. In addition, the Debt Office plans to borrow more in commercial paper on its own account in 2014 compared with the February forecast; see table 2.

Swap volume decreases slightly

The debt Office uses interest rate swaps to create short interest rate exposure to adjust the interest rate re-fixing period of the debt. The total swap volume depends on market conditions and on the maturity target. The swap volume will decrease compared with the previous forecast to SEK 26 billion in 2013 and SEK 25 billion in 2014. This is a decrease of SEK 2 billion and SEK 5 billion respectively.

TABLE 5 CHANGE IN OUTSTANDING SWAPS

SEK billion	2012	2013	2014
Interest rate swaps ¹	0	7	5
Cross currency swaps ²	20	19	20
Swaps total	20	26	25
Swaps maturing	-20	-23	-25
Swaps, net change	0	2	0

¹ Interest rate swaps from fixed to floating rate in SEK.

SWAPS

Short interest rate exposure can be created 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 borrowing costs. Good liquidity in the bond market should also contribute to reducing borrowing costs in the long term. Interest rate swaps are also used for foreign currency borrowing. The Debt Office then combines an interest rate swap with a currency swap so that the exposure in kronor is replaced by exposure in foreign currency.

The outstanding stock of interest rate swaps will increase marginally in 2013 and be unchanged in 2014; see table 5. The development of the swap stock depends on the relationship between new and maturing swaps. The swap transactions are distributed relatively evenly over the year but with commercial flexibility both as regards date and maturity. The debt Office may deviate from the plan if the funding requirement changes during the year.

Increased issue volume in inflation-linked bonds

Borrowing in inflation-linked bonds will remain at SEK 12 billion this year. From the beginning of next year the issue volume will be raised to a yearly rate of SEK 15 billion. The auction volume, however, will remain at SEK 1 billion per auction. The issue volume will increase through the addition of three auction occasions. In 2014 there are to be 15 auctions.

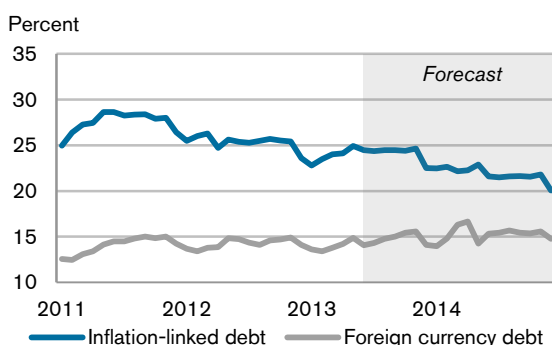
This year the Debt Office primarily issues in the more recent bonds *SGB IL 3107 0.5% 1 Jun 17* and *SGB IL 3108 0.25% 1 Jun 22*. Next year will see the addition of the planned new ten-year inflation-linked bond *SGB IL 3109 X% 1 Jun 25*.

New ten-year inflation-linked bond in 2014

On 6 February 2014 the Debt Office will introduce a new inflation-linked bond with a ten-year maturity, *SGB IL 3109 X% 1 Jun 25*. The maturity date of the new bond is close to that of the new ten-year government bond 1058. As usual, the Debt Office plans to offer exchanges to the new inflation-linked bond following the introduction of the bond.

The average time to maturity of the inflation-linked bond stock is expected to be 7.7 years during the forecast period.

FIGURE 5 SHARE OF INFLATION-LINKED AND FOREIGN CURRENCY DEBT¹



¹ The benchmarks for how central government debt is to be allocated between different types of debt are stated in terms of all future cash flows (nominal debt plus coupons and expected inflation compensation). Assets in debt management and also other financial assets, such as on-lending to the Riksbank and foreign states, are included.

The inflation-linked share of government debt

The share of inflation-linked debt will decline during the forecast period. In order to reduce this decline the Debt Office will increase borrowing in inflation-linked bonds during 2014. Depending on the development of the borrowing requirement and market conditions, borrowing in inflation-linked bonds may be increased slightly later on.

Fluctuations in the share of inflation-linked debt depend to a large extent on the development of the government debt. Unlike the share of foreign currency debt, the Debt Office is not able to adjust the inflation-linked share by using derivatives.

The target for the inflation-linked share is a long-term target, and the Debt Office is not forced to take immediate action to achieve it quickly. In view of the surplus target for general government finances, government debt is expected to decrease over time which will lower the share of inflation-linked debt.

Exchanges in loan 3105 to commence in December

The inflation-linked bond *SGB IL 3105 3.5% 1 Dec 15* now has a remaining maturity of around 2.5 years. The outstanding nominal value was SEK 43 billion as of 31 May. According to the policy of the Debt Office concerning inflation-linked bonds with short time to maturity, exchanges will be offered amounting to a total of SEK 20 billion of bond *SGB IL 3105 3.5% 1 Dec 15* before this bond becomes shorter than one year. The plan is to offer one exchange of SEK 5 billion this coming December, followed by two exchanges of SEK 7,5 billion each during the first half-year of 2014. In the exchange auctions the Debt Office plans to sell the bonds *SGB IL 3107 0.5% 1 Jun 17*, *SGB IL 3108 0.25% 1 Jun 22* and *SGB IL 3109 X% 1 Jun 25*.

These exchange auctions are offered as a market commitment measure. The offer stands provided that exchanges can be made at market rates and consequently do not imply any extra cost for the central government.

Buy-back facility for loans shorter than one year

When the inflation-linked bond *SGB IL 3001 1 Apr 14* became shorter than one year after 1 April this year, the SNDO introduced a buy-back facility where primary dealers may sell a limited volume to the Debt Office. In that case buy-backs will be made against a premium since this is not a regular buy-back offer. The pricing is set restrictively.

The Debt Office intends, from December 2014, to offer an equivalent restrictive buy-back facility for *SGB IL 3105 3.5% Dec 2015*, which will then become shorter than one year.

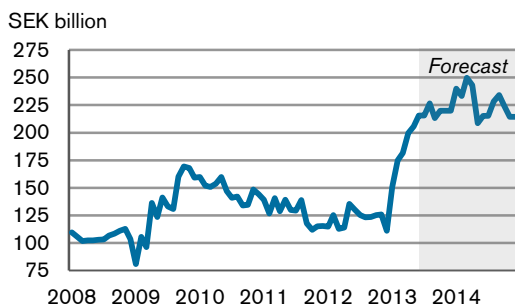
Long-term inflation-linked bonds not to be issued now

The assessment of the Debt Office is that interest in a new long-term inflation-linked bond is limited and the Debt Office therefore has no plans to introduce such an issue at the moment. Should demand increase, however, it is possible that a 30-year inflation-linked bond may be issued later on.

Bond borrowing in foreign currency unchanged

Bond borrowing in foreign currency totals SEK 137 billion in 2013 and SEK 73 billion in 2014. That is largely unchanged compared to the previous forecast. So far this year, the Debt Office has issued bonds in foreign currencies equivalent to around SEK 99 billion. For the remaining part of 2013 a volume equivalent to around SEK 38 billion is planned to be issued.

FIGURE 6 OUTSTANDING BONDS IN FOREIGN CURRENCY



On-lending to the Riksbank

The Debt Office is tasked with borrowing foreign currency on behalf of the Riksbank in order to strengthen the foreign currency reserve. The raising of an additional SEK 100 billion was completed in February 2013. The on-lending now amounts to SEK 200 billion. The Debt Office will borrow a total of SEK 155 billion and SEK 74 billion in commercial paper and bonds in foreign currency for the Riksbank's account in 2013 and 2014. So far this year an amount of SEK 92 billion of bonds in foreign currency has been issued. Borrowing in the autumn and in 2014 is the refinancing of maturing loans. According to the current forecast it is planned to raise an additional of nearly SEK 30 billion for the Riksbank's account in 2013.

Borrowing will focus on benchmark bonds in the capital market with maturities of up to five years and, in part, also commercial paper. The choice of maturities and currencies will be based on market conditions. The Debt Office's borrowing in SEK will not be affected by the lending to the Riksbank. The reason is that the entire amount of the on-lending will be borrowed in foreign currency. For additional information on the on-lending to the Riksbank, please be referred to the box below.

Swaps in foreign currency borrowing

Part of the foreign currency funding is achieved by swapping kronor for exposure in foreign currency; see the box on page 15 for details of how this will take place.

ON LENDING IN FOREIGN CURRENCY

In connection with the financial crisis in 2009 the Debt Office decided, upon request by the Riksbank to borrow SEK 100 billion in foreign currency to strengthen the foreign currency reserve. In January 2013 the on-lending was extended by SEK 100 billion and the maximum outstanding is totally SEK 200 billion. The Debt Office has credit facilities to Iceland and Ireland, commissioned by the government following a decision by the Swedish Parliament. The loan agreement to Iceland was signed in 2009 and joint lenders were Sweden, Denmark, Norway and Finland. Sweden's share of the total loan amounted to EUR 495 million.

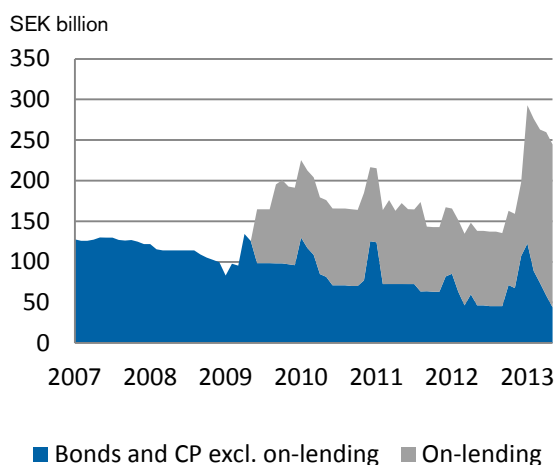
Ireland has so far made use of EUR 450 million. Lending to the Riksbank and other foreign states is collected in the Debt Office official measure of central government debt as on-lending. On-lending is included in the budget balance and thereby in the Debt Office's net borrowing requirement.

However, on-lending is not part of the central government net lending. The central government's financial wealth is not affected by the on-lending as the on-lending is corresponded by claims of the same size. The Debt office does not earmark funding for on-lending to other foreign states. The payments the Debt Office does in connection with loans to foreign states, government agencies and state enterprises are handled as other payments within the government. On-lending to the Riksbank is made in foreign currency bonds, on the capital market.

Unlike on-lending to other foreign states, the on-lending to the Riksbank normally reflects the originally benchmark bond with regards to amount, maturity, currency and yield. In the management of the central government debt, on-lending is netted against liabilities incurred in funding. This means that the debt shares and maturity is not affected.

Figure 7 shows borrowing in foreign currency bonds and commercial paper for the purpose of on-lending as well as for the Debt office's own account.

FIGURE 7 ON-LENDING IN FOREIGN CURRENCY



To maintain the target for the share of debt in foreign currency at 15 per cent, the SNDO needs to carry out cross currency swaps between SEK and foreign currencies for SEK 19 billion and SEK 20 billion during 2013 and 2014, respectively. This is a decrease compared to the previous forecast; see table 5.

Central government debt increases slightly

Table 6 illustrates how the net borrowing requirement is financed through different instruments. Net funding in government bonds will be large in 2013 due to small redemptions. In 2014 on the other hand, net financing in government bonds is close to zero. The reason is that redemptions and exchanges are approximately equal to funding.

TABLE 6 NET FUNDING PER CALENDAR YEAR

SEK billion	2010	2011	2012	2013	2014
Net borrowing requirement	1	-68	25	183	65
Business day adjustment ¹	25	11	-6	0	-6
Net funding requirement	26	-57	19	183	60
Retail funding & collateral²	-2	9	1	-9	-6
Net money market funding	-32	-18	47	5	76
T-bills	-30	-13	33	25	20
Commercial paper	29	-12	34	-35	56
Liquidity management	-31	6	-20	16	0
Net bond market funding	59	-47	-29	187	-11
Government bonds	53	-9	-7	63	1
Inflation-linked bonds	11	1	-19	9	1
Foreign currency bonds	-4	-38	-3	115	-13
Total net funding	26	-57	19	183	60

¹ Adjustment for the difference between settlement day and business day. The net borrowing requirement is cashflow-based (settlement day) as opposed to funding and outstanding debt.

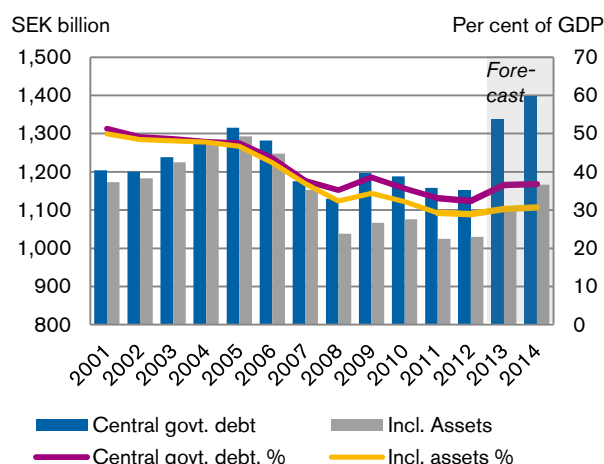
² Net change in retail borrowing and collateral.

By the end of 2013 the central government debt is expected to amount to SEK 1 337 billion or 37 per cent of GDP. The central government debt will increase by SEK 184 billion in 2013 which is mainly explained by the increased on-lending to the Riksbank. During 2014 the debt will increase further to SEK 1 398 billion. Table 7 sets out how the central government debt is calculated.

The change in the debt depends not only on the net borrowing requirement but also on 'debt adjustments'. Debt adjustments refer to discrepancies between business and payment days, accrued inflation compensation and exchange rate effects. As the central government debt only accounts for gross debt, money market assets are added. These are funds temporarily invested in the money market until they are used to pay expenses in the central government budget or maturing loans.

The SNDO also reports the central government debt including on-lending and money market assets. This includes not only assets in debt management but also other financial assets, such as on-lending to the Riksbank and foreign states.

FIGURE 8 CENTRAL GOVERNMENT DEBT DEVELOPMENT



Using this measure the debt will be SEK 1 107 billion or 30 per cent of GDP at the end of 2013. By 2014, the debt will have increased slightly to 31 per cent of GDP in 2014.

This measure is used in the steering of debt management in accordance with the guidelines determined by the Government and the internal risk management of the Debt Office. On-lending is an asset for central government, but it is not available to cover government expenditure in the same way as assets in the money market.

On-lending to foreign states and the Riksbank is expected to amount to SEK 206 billion at the end of 2014 based on the current exchange rate.

TABLE 7 NET BORROWING AND CENTRAL GOVERNMENT DEBT

SEK billion	2007	2008	2009	2010	2011	2012	2013	2014
Net borrowing, business day	-117	-144	156	26	-57	19	183	60
Certain debt adjustments ¹	4							
A. Nominal amount including money market assets	1 120	976	1 131	1 157	1 101	1 120	1 303	1 363
Inflation compensation	28	33	30	31	34	31	29	22
Exchange rate effects	6	30	0	-26	-19	-28	-20	-12
B. Nominal amount at current exchange rate incl. inflation compensation and money market assets	1 153	1 038	1 161	1 162	1 116	1 123	1 312	1 373
Money market assets	23	91	37	26	42	30	25	25
C. Central government debt	1 176	1 129	1 197	1 188	1 158	1 153	1 337	1 398
Money market assets	-23	-91	-37	-26	-42	-30	-25	-25
On-lending	0	0	-94	-86	-91	-93	-205	-206
D. Central government debt incl. on-lending and money market assets	1 153	1 038	1 067	1 075	1 025	1 030	1 107	1 166
Nominal GDP	3 126	3 204	3 106	3 338	3 500	3 562	3 661	3 798
C. Central government debt. % of GDP	37.6	35.2	38.5	35.6	33.1	32.4	36.5	36.8
D. Central government debt incl. on-lending and money market assets. % of GDP	36.9	32.4	34.3	32.2	29.3	28.9	30.2	30.7

¹ In 2007 the Swedish National Debt office took over foreign currency debt from Venantius.

FOREIGN CURRENCY BORROWING

The Debt Office can borrow in foreign currency in two ways: 1. Issue bonds denominated in foreign currency or 2. Swap a government bond denominated in SEK to exposure in foreign currency using a cross-currency swap.

Foreign currency borrowing with swaps includes the following steps:

- The Debt Office issues a government bond denominated in SEK.
- The fixed interest payment on the government bond is swapped to a floating rate in kronor via an interest rate swap.
- The floating rate in kronor is swapped to a floating rate in foreign currency through a basis swap.
- Within the basis swap transaction, the amount in SEK is exchanged into foreign currency in a spot transaction. The exchange is financed with the proceeds from the government bond issue. In practice the Debt Office has 'borrowed' in foreign currency with interest payments in foreign currency.

- The final element in the basis swap is to exchange foreign currency to SEK forward, with payment due when the basis swap (and the government bond) matures. The amount and exchange rate is the same as in the spot transaction.

When the government bond and the swap both mature the Debt Office has to buy the foreign currency in order to carry out the final exchange. The purchase is done at an exchange rate that is unknown today.

When a bond in foreign currency is due for payment the Debt Office has to buy foreign currency to be able to amortise the bond in the same way as with a basis swap. Hence, borrowing in foreign currency with a swap gives the same foreign currency exposure as when a bond denominated in foreign currency is issued.

Market information

OUTSTANDING GOVERNMENT BONDS, 31 MAY 2013

Maturity date	Coupon %	Loan no.	SEK Million
30-Aug-13	1.50	1055	9 500
05-May-14	6.75	1041	77 750
12-Aug-15	4.50	1049	72 490
12-Jul-16	3.00	1050	47 989
12-Aug-17	3.75	1051	62 026
12-Mar-19	4.25	1052	72 807
01-Dec-20	5.00	1047	45 065
01-Jun-22	3.50	1054	62 131
13-Nov-23	1.50	1057	75 000
01-Jun-32	2.25	1056	11 000
30-Mar-39	3.50	1053	42 250
Total government bonds			578 008

OUTSTANDING T-BILLS, 31 MAY 2013

Maturity date	SEK Million
19-Jun-13	30 000
17-Jul-13	15 000
21-Aug-13	25 000
18-Sep-13	35 000
Total T-bills	105 000

RATING

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

OUTSTANDING INFLATION-LINKED BONDS, 31 MAY 2013

Maturity date	Coupon %	Loan no.	SEK Million
01-Apr-14	0.00	3001	4 170
01-Dec-15	3.50	3105	53 054
01-Jun-17	0.50	3107	25 584
01-Dec-20	4.00	3102	38 400
01-Jun-22	0.25	3108	21 371
01-Dec-28	3.50	3104	53 261
Total Inflation-linked bonds			195 840

GOVERNMENT BONDS, AUCTION DATES

Announcement date	Auction date	Settlement date
14-Aug-13	21-Aug-13	26-Aug-13
28-Aug-13	04-Sep-13	09-Sep-13
11-Sep-13	18-Sep-13	23-Sep-13
25-Sep-13	02-Oct-13	07-Oct-13
09-Oct-13	16-Oct-13	21-Oct-13
23-Oct-13	30-Oct-13	04-Nov-13
06-Nov-13	13-Nov-13	18-Nov-13
20-Nov-13	27-Nov-13	02-Dec-13
04-Dec-13	11-Dec-13	16-Dec-13

T-BILLS, AUCTION DATES

Announcement date	Auction date	Settlement date
12-Jun-13	19-Jun-13	24-Jun-13
26-Jun-13	03-Jul-13	05-Jul-13
07-Aug-13	14-Aug-13	16-Aug-13
21-Aug-13	28-Aug-13	30-Aug-13
04-Sep-13	11-Sep-13	13-Sep-13
18-Sep-13	25-Sep-13	27-Sep-13
02-Oct-13	09-Oct-13	11-Oct-13
16-Oct-13	23-Oct-13	25-Oct-13
30-Oct-13	06-Nov-13	08-Nov-13
13-Nov-13	20-Nov-13	22-Nov-13
27-Nov-13	04-Dec-13	06-Dec-13
11-Dec-13	18-Dec-13	20-Dec-13

INFLATION-LINKED BONDS, AUCTION DATES

Announcement date	Auction date	Settlement date
22-Aug-13	29-Aug-13	03-Sep-13
05-Sep-13	12-Sep-13	17-Sep-13
19-Sep-13	26-Sep-13	01-Oct-13
03-Oct-13	10-Oct-13	15-Oct-13
31-Oct-13	07-Nov-13	12-Nov-13
14-Nov-13	21-Nov-13	26-Nov-13
28-Nov-13	05-Dec-13*	10-Dec-13

*Exchange auction

Primary dealers	Nominal government bonds	Inflation-linked government bonds	T-bills	Telephone	Reuter page
Nykredit Markets	●	●	●	+46 8 557 674 00	NYKR
Royal Bank of Scotland	●	●	●	+46 8 506 198 76	
Barclays	●			+44 207 773 8275	
Danske Markets	●	●	●	+46 8 568 808 44	PMCO
Nordea Markets	●	●	●	+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

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