

Central Government Borrowing

Forecast and Analysis 2013:3

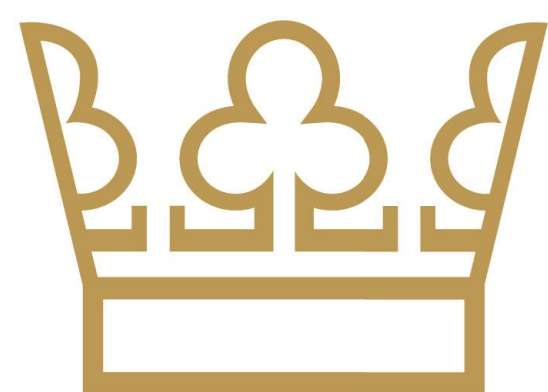
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In *Central Government Borrowing – Forecast and Analysis 2013:3*, we present forecasts for central government finances and borrowing for 2013 up to 2015. In the first section, we present annual and monthly forecasts for the budget balance and the underlying 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

- The net borrowing requirement, i.e. the budget deficit, will be SEK 126 billion this year, which is SEK 57 billion lower than the forecast the National Debt Office published in June 2013. Since June, the Government has sold shares for a total of SEK 42 billion, which is the main reason for the decrease in the net borrowing requirement this year compared to the previous forecast.
- Of the total net borrowing requirement on-lending to the Riksbank is estimated to account for SEK 106 billion in 2013, which is a decrease of SEK 3 billion compared with the previous forecast.
- The net borrowing requirement decreases by SEK 4 billion in 2014 to SEK 61 billion. The Debt Office's forecast for 2015 is a net borrowing requirement of SEK 18 billion.
- The Debt Office is expecting a cautious upswing in the economy over the next two years, and GDP is expected to grow by 2.4 per cent in 2014 and 2.7 per cent in 2015. This forecast is based on the assumption that growth in Europe and the rest of the world will recover in the coming years.
- Borrowing in government bonds remains at SEK 74 billion as an annual rate during 2014 and 2015. The main part of issues will be in the ten-year maturity. 2015.
- The issue volume of inflation-linked bonds will be raised to SEK 18 billion in 2015 by the addition of three auctions per year. The reason for this increase is to counter the decline in the share of inflation-linked debt.
- Due to the lower borrowing requirement, the borrowing in T-bills decreases in 2013. The T-bill stock will increase again during next year and is expected to reach SEK 150 billion by the end of 2015. Borrowing in foreign currency on behalf of central government decreases as well in 2014.
- Central government debt is expected to amount to SEK 1 270, 1 319 and 1 323 billion by the end of 2013, 2014 and 2015 respectively. It corresponds to a share of GDP of 35 per cent 2013 and 2014 and 34 per cent 2015.

Decreasing deficit

The Debt Office's forecast for the central government net borrowing requirement is SEK 126 billion in 2013, SEK 61 billion in 2014 and SEK 18 billion in 2015. GDP growth is estimated at 0.9 per cent this year, 2.4 per cent in 2014 and 2.7 per cent in 2015.

The net borrowing requirement, i.e. the budget deficit, will be SEK 126 billion this year, which is SEK 57 billion lower than the forecast the National Debt Office published in June 2013. Shortly after the June forecast, the Government sold shares in Nordea for SEK 20 billion, which led the National Debt Office to revise the forecast for 2013 from SEK 183 billion to SEK 163 billion. All comparisons in this publication, however, are against the forecast published in June. Since June, the Government has sold shares for a total of SEK 42 billion, which is the main reason for the decrease in the net borrowing requirement this year compared to previous forecast. In addition, tax income is expected to be SEK 17 billion higher than in the June forecast.

Of the total net borrowing requirement on-lending to the Riksbank is estimated to account for SEK 106 billion in 2013, which is a decrease of SEK 3 billion compared with the previous forecast.

Central government debt is estimated to be SEK 1 270 billion at the end of 2013, SEK 1 319 billion at the end of 2014 and SEK 1 323 billion at the end of 2015. This corresponds to 35 per cent of GDP for 2013 and 2014 and 34 per cent for 2015. Further information about the development of central government debt is presented in the section regarding funding.

TABLE 1 CENTRAL GOVERNMENT NET BORROWING REQUIREMENT

SEK billion	2012	2013	2014	2015
Primary borrowing requirement	-2	110	44	-5
of which net lending to agencies excl. on-lending	-5	8	2	2
of which net lending, on-lending	5	109	0	-2
of which net lending, sales to Stability fund	0	-21	0	0
of which sales of state assets	0	-21	0	0
of which other primary borrowing	-3	36	42	-5
Interest payments on central government debt	27	16	17	23
Net borrowing requirement	25	126	61	18

¹The total revenues from sales of shares in Nordea is SEK 41 billion, of which 52 per cent, corresponding to SEK 21 billion, goes to the Stabilization fund.

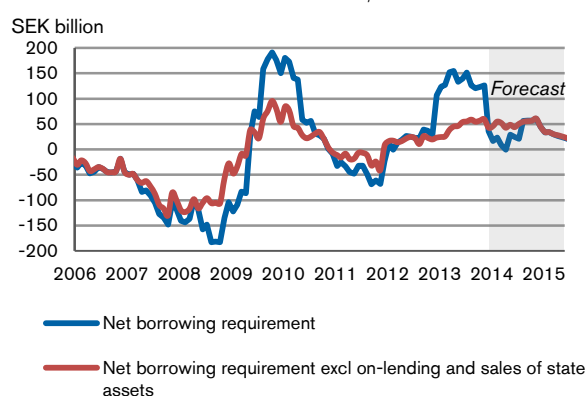
²SEK 20 billion refers to the sales of shares in Nordea and SEK 1 billion to the sale of Vectura Consulting.

Growth in Swedish economy during the first half of the year was weak. Even if growth will be somewhat stronger during the second half, GDP is expected to grow only by 0.9 per cent this year. The Debt Office is expecting a cautious upswing in the economy over the next two years, and GDP is expected to grow by 2.4 per cent in 2014 and 2.7 per cent in 2015. This forecast is based on the assumption that growth in Europe and the rest of the world will recover in the coming years. This means that demand for Swedish exports will increase. If the international recovery is delayed, growth in the Swedish economy will be lower.

The net borrowing requirement decreases by SEK 4 billion in 2014 compared with the previous forecast. The reforms announced in the Budget Bill for 2014 were in terms of amounts already accounted for in the previous forecast. The Debt Office, however, makes no assumption about the distribution of income and expenditure in its forecasts on reforms. The majority of the reforms are tax cuts, which lowers tax income next year. Some of the changes in tax rules will be offset by tax bases growing faster than in the Debt Office's June forecast.

The Debt Office's forecast for 2015 is a net borrowing requirement of SEK 18 billion. The improving economy leads to a more rapid increase in tax income, which is the main reason for the decrease in the net borrowing requirement compared with 2014. This forecast does not include any new fiscal policy reforms or sales of state assets.

FIGURE 1 CENTRAL GOVERNMENT NET BORROWING REQUIREMENT 2006-2015, 12-MONTH FIGURE



Recovery in sight

GDP growth was weak in the first half of this year, mainly because of falling exports and investments. What keeps growth up is the fact that private consumption continues to progress at a reasonable pace. The GDP growth rate is expected to be a moderate 0.9 per cent this year followed by an increase to 2.4 per cent next year. A continuation of the recovery means that growth will increase further to 2.7 per cent in 2015.

Growth in the first quarter has been revised down to 0.4 per cent. In the second quarter GDP declined compared with the first quarter, but compared to the same quarter last year GDP increased by 0.6 per cent. The Debt Office expects that exports and investments will not fall as much during the second half of the year, allowing growth to reach nearly 1 per cent for the full year.

The Swedish export sector has developed weakly in the past year. In the first half of this year total exports fell by over 2 per cent, even though exports of services increased. Weak international demand together with a stronger krona has brought pressure on both volumes and prices for goods exports companies. The export sector has also lost market shares. Since exports have a high import content, imports have also decreased, meaning that net exports are not affected as much.

Investments fell by more than 5 per cent in the first half of the year. One bright spot is that residential investment began to grow again, after falling throughout 2012. Investments in the industry are expected to remain low due to low capacity utilisation and falling industrial production.

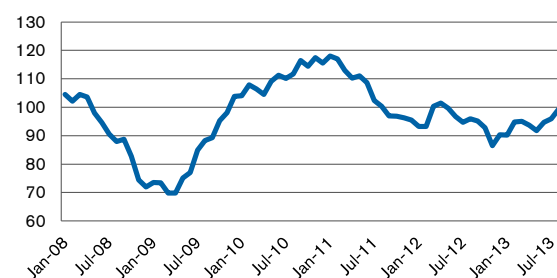
Signs of Improvement

The US economy has gradually improved, despite fiscal tightening. The labour market continues to improve and unemployment is falling, albeit at a moderate pace. Important indicators such as house prices and car sales continue to rise. Growth in the US economy is estimated to be about 3 per cent annually over the coming years, according to the IMF. The future development is uncertain. Among other things, it is difficult to assess how the real economy will be affected when the Fed begins to tighten monetary policy.

The recession in Europe looks to have been broken. Growth was positive in the second quarter after six consecutive quarters of negative growth. The picture, however, remains mixed, with positive growth in northern Europe, but a weaker situation in the south. Unemployment in some countries is very high, but have stopped rising. This implies that these countries may soon show growth, albeit from low levels. The risk of setback is still large and the need to consolidate debt, strengthen banks and improve competitiveness remains.

FIGURE 2 NIER ECONOMIC TENDENCY INDICATOR

Index, average=100



Source: NIER

The condition of the Swedish economy is characterized by weak capacity utilisation. Forward-looking indicators, however, point towards rising growth. The Export Manager's Index is up to its highest level since May 2011. The NIER Economic Tendency Indicator has risen since the previous forecast and indicates that confidence has increased among both businesses and households. The confidence indicator for the business sector has risen for four consecutive months and is in line with the historical average. The picture differs between different industries. The manufacturing and construction industries are still weak, but service industries primarily are above the historical average.

TABLE 2 GDP BY EXPENDITURE, CONSTANT PRICES

Percentage change	2012	2013	2014	2015
GDP	1.0	0.9	2.4	2.7
Household consumption	1.6	2.0	2.5	2.8
General government consumption	0.7	1.0	0.9	1.0
Gross fixed capital formation	3.1	-2.6	4.4	4.5
Changes in inventories incl valuables ¹	-0.1	0.3	0.0	0.0
Exports	0.7	-1.7	3.8	5.0
Imports	-0.6	-1.8	4.0	5.2

¹ Change in per cent of GDP previous year

Household consumption will maintain growth

The financial position of Swedish households is strong. Disposable incomes will grow by just over 2 per cent in real terms this year and the coming years. This is partly explained by tax cuts. Wealth development is supported by both rising house prices and stock markets, but at the same time household debt is high. The household savings ratio is also on historically high levels. Many households also benefit from low interest rates and the strong krona.

Private consumption growth is estimated at 2.0 per cent this year, 2.5 per cent next year and 2.8 per cent in 2015. 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. As confidence returns, consumption increases faster than real disposable income, which means that savings will decrease over the forecast period.

Slight fall in unemployment

Despite the subdued economic activity, employment has increased. Meanwhile, unemployment levelled out during the beginning of the year and the trend is now pointing downwards. Next year, the unemployment rate is estimated to average 7.9 per cent, a decline of 0.2 percentage points on this year. This modest decline is because the companies remain cautious in their hiring plans and are expected to increase average hours worked before new employees are eligible. In 2015, the economy will grow faster and capacity utilisation increase. This leads to rising employment, number of hours worked and falling unemployment.

The wage sum is projected to grow by 2.8 per cent this year, 3.4 per cent in 2014 and 3.9 per cent in 2015. This increase is primarily driven by hourly wages. Contribution from hours worked is weak, particularly this year and next.

TABLE 3 LABOUR MARKET AND WAGES

Percentage change unless otherwise stated

	2013	2014	2015
Employment	0.8	0.8	0.9
Unemployment ¹	8.1	7.9	7.6
Wage sum	2.8	3.4	3.9
Hourly wages	2.4	2.7	2.9
Hours worked	0.4	0.7	1.0

¹ 15-74 years, per cent of labour force

Changes in the net borrowing requirement

The Debt Office estimates that the net borrowing requirement will amount to SEK 126 billion in 2013, SEK 57 billion lower than the previous forecast. The net borrowing requirement for next year will decrease by SEK 4 billion to SEK 61 billion. The Debt Office's first forecast for 2015 is a net borrowing requirement of SEK 18 billion.

TABLE 4 CHANGES SINCE LAST FORECAST 2013-2014¹

SEK billion	2013	2014
Forecast June 2013	183	65
Taxes	-17	9
Labour market	-1	4
Social insurance	-1	1
Dividends	0	5
Net lending excl. on-lending	2	-1
On-lending	-3	-1
Interest payments	2	-4
Sales of state assets	-21	0
Sales of state assets, Stability fund	-21	0
Forecast of fiscal policy	0	-25
Other	4	9
Sum of changes	-57	-4
Forecast October 2013	126	61

¹ A minus sign 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.

Tax cuts next year

Tax income increases by SEK 17 billion in 2013 and decreases by SEK 9 billion in 2014 compared with the previous forecast. For the current year the change is explained by supplementary tax payments being larger. Next year, the decrease is due to tax cuts. However, the underlying trend in tax income is positive next year.

TABLE 5 TAX INCOME; CHANGES SINCE LAST FORECAST ¹

SEK billion	2013	2014
Payroll taxes	0	13
Consumption taxes	-1	-2
Corporate taxes	-2	-2
Supplementary taxes	-14	-2
Total	-17	9

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.

Higher income from taxes on consumption

Income from taxes on consumption in 2013 is in line with the previous forecast. Income for 2014 is revised upward slightly due to stronger growth in household consumption and investments. This is partly offset by lower imports leading to a weaker development of income from customs tax. Consumption and investment should continue to grow strongly in 2015, resulting in growing income from excise duties and VAT.

Tax cuts reduce payroll taxes

The Debt Office has revised the assumptions for wage sum growth from 2.6 per cent to 2.8 per cent this year and from 3.2 per cent to 3.4 per cent next year. For 2015, the wage sum growth rate is estimated at 3.9 per cent. The downward trend seen in the tax agency's payroll statistics during spring appears to have levelled off. At the same time the number of employed is increasing, albeit at a slow pace. Also the number of hours worked turned upwards in the second quarter. Uncertainty for hours worked on a quarterly basis is however quite large.

The government has proposed an additional earned income tax credit and a reduced tax for pensioners, which together will reduce central government tax income by about SEK15 billion. In addition, the government proposes a raised threshold for state income tax, which is expected to reduce tax income by about SEK 3 billion. Increased assumptions for wage sum growth partly counteract the tax cuts, and payroll taxes therefore decrease by SEK13 billion compared with the previous forecast.

Household capital gains appear to have been lower in 2012 than was assumed in the previous forecast. The level will decline slightly compared to 2011. This is despite both rising housing prices and stock markets. Forecasts on capital gains are uncertain and it is difficult to explain discrepancies even retrospectively. How individuals choose to realize their profits can vary over

time. At the same time, more and more people are converting to saving forms with flat-rate tax.

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, which is also supported by the preliminary tax assessment outcomes. Moreover, it is likely that companies made larger transfers to tax allocation reserves than normal in 2012. Since the corporate tax rate was lowered from January 2013, there were good reasons for companies to fund profits from 2012 to return them to taxation in future years to a lower tax rate.

The weak trend is estimated to have continued into the beginning of 2013. Both the Riksbank Business Survey and the NIER Economic Tendency Survey indicates that the current situation is somewhat brighter than in June. However, a more substantial recovery cannot be expected until after the turn of the year. Profit levels are therefore expected to remain almost unchanged between 2012 and 2013.

As economic growth picks up in 2014 and 2015, profit levels will rise. Income from corporate tax is expected to increase by 6 per cent next year and by 9 per cent in 2015.

TABLE 6 ASSUMPTIONS IN TAX FORECAST, CURRENT PRICES

Percentage change	2012	2013	2014	2015
Households consumption	2.8	2.7	3.8	4.4
Wage sum	3.8	2.8	3.4	3.9
Households disposable income	4.5	3.1	3.5	3.7
Household savings ¹	5.4	5.8	5.6	5.0
Investment	3.4	-2.6	5.0	5.6
Exports	-0.7	-4.8	4.1	5.1

¹ Own saving as share of disposable income

Dividends from state enterprises

This year, central government income from dividends amount to SEK 21 billion. Next year, the income from dividends decreases to SEK 13 billion. This is a decrease of SEK 5 billion compared with the previous forecast. The main reason is a lower expected dividend from Vattenfall AB. The company made impairments during the first half of this year that will affect earnings by almost SEK 25 billion this year. This is expected to have a negative impact on the level of dividend.

LKAB is also expected to reduce its dividend compared with the previous forecast. Its profit for the first half was 22 per cent lower than the same period last year. This is mainly due to lower iron ore prices. In addition, dividends

decrease since the Government has sold its shares in Nordea.

For 2015, dividend income is expected to reach 17 billion. The increase compared to 2014 is primarily due to Vattenfall being expected to increase its dividend to a level equal to the average in recent years.

Lower expenditure on unemployment benefits

The number of people receiving unemployment benefits or activity support has remained at high levels this year and is expected to continue to do so over the next year as shown in Table 7.

However, since the last forecast, spending on unemployment benefits has been revised down by about SEK 1 billion in 2013. Expenditure on unemployment benefits has been lower than expected in recent months despite the high unemployment rate. The relationship between the official unemployment figures according to the Labour Force Survey (LFS) and the number of benefit recipients is difficult to assess and depends in part on the composition of the unemployed. All unemployed do not meet the insurance requirements and will thus not be eligible for this type of compensation.

TABLE 7 VOLUMES IN TRANSFER SYSTEMS

Full-year equivalents	2013	2014	2015
Sickness benefit	129	139	145
Activity/Sickness compensation	313	299	287
Unemployment insurance	98	96	88
Activity support	189	185	166
Total	729	719	686

Unemployment fee abolished in 2014

In the Budget Bill, the Government proposes abolishing the unemployment fee in 2014. The unemployment fee is linked to unemployment benefits paid in the unemployment insurance funds and is financed by the members through the membership fee. Abolition means that government income will decrease by about SEK 3 billion in 2014. The loss of income will be lower in 2015 as unemployment is then expected to have fallen slightly.

Net lending by the Debt Office to agencies

The Debt Office's net lending is estimated at SEK 95 billion this year. This is a decrease of SEK 23 billion compared with the previous forecast, and is mainly explained by the transfer of income from the sale of shares in Nordea to the Stability Fund.

The Debt Office's net lending in 2014 is estimated at a little over SEK 2 billion, which is SEK 2.5 billion lower than the previous forecast. The reasons are downward revisions for lending to government agencies and lower forecasted currency losses in connection with the refinancing of maturing Riksbank loans. Moreover, the sale

of shares in Nordea means that these will no longer generate contributions to the Stability Fund. 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.

In 2015 net lending is expected to amount to SEK 0.5 billion. The projected reduction between 2014 and 2015 is due to somewhat lower lending to government agencies.

CHANGES IN THE NET BORROWING REQUIREMENT BETWEEN YEARS

The table shows how different parts of the net borrowing requirement change between 2010 and 2015 and how various parts of the net borrowing requirement affect the change.¹

Between 2012 and 2013 the net borrowing requirement increases by SEK 101 billion from SEK 25 billion to SEK 126 billion. Around SEK 103 billion of this increase is due to higher on-lending to the Riksbank. Tax income decreases by SEK 11 billion. Simultaneously labour market and social insurance payments increase. Sales of state owned assets decrease the net borrowing requirement by a total of SEK 42 billion. Of that amount SEK 21 billion is transferred to the Stability Fund, which is included in the item "Debt Office's net lending excl. on-lending".

Next year the net borrowing requirement decreases by SEK 65 billion compared with 2013. The main reason is that on-lending to the Riksbank and Ireland is not repeated which decreases the net borrowing requirement by SEK 109 billion compared with 2013. Despite tax cuts in the Budget Bill tax income increase by SEK 22 billion between the years. This is because tax bases increase as the economy improves.

Between 2014 and 2015 the Debt Office estimate that the net borrowing requirement will decrease by SEK 43 billion. The reason is that tax income is expected to increase by SEK 51 billion when the economy improves. The Debt Office has not assumed any new fiscal policy reforms for 2015.

SEK billion	2010	2011	2012	2013	2014	2015
Net borrowing requirement, level	1	-68	25	126	61	18
Net borrowing requirement, change	-175	-69	93	101	-65	-43
Explained by;						
Taxes	-77	-65	48	11	-22	-51
Government grants to local governments	-6	12	-3	4	5	0
Labour market	8	-2	2	4	3	-3
Social Insurance	-1	-5	4	4	5	3
Sales of state-owned assets	0	-23	23	-21	21	0
Share dividends	3	-10	5	2	8	-5
EU contribution	10	-3	5	1	0	2
Debt Office's net lending excl. on-lending	-17	5	-11	-9	16	0
On-lending	-99	-1	9	103	-109	-2
Interest on government debt	-8	11	-7	-11	1	6
Other	13	10	19	14	6	7

¹ Minus means that the net borrowing requirement decreases and plus that it increases. For example, "11" for "Taxes" in the column for 2013 means that taxes decreases by SEK 11 billion compared with 2012.

Interest payments on central government debt

Interest payments on central government debt are estimated at SEK 16 billion this year. For 2014 and 2015 interest payments are estimated at SEK 17 and 23 billion.

Compared with the June forecast interest payments this year have been revised upwards by SEK 1.5 billion which is mainly due to lower issues sold at a premium as interest rates have risen.

The forecast for next year has been revised downwards by SEK 3.5 billion compared with the June estimate. This is mainly due to lower expected capital losses in buybacks of bonds. In the June forecast there was a technical assumption of switch auctions in 2014 in connection with the introduction of a new nominal bond with maturity in 30 years. This assumption has now been removed as, for the moment, there are no longer any plans to introduce such a

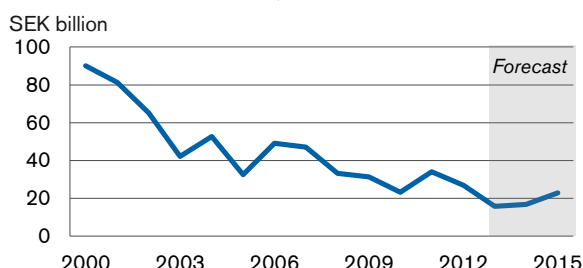
bond. Moreover higher interest rates contribute to lower capital losses in buybacks when a new 10-year reference loan is introduced in February next year. This is because the bond prices in the buybacks become lower when interest rates increases.

TABLE 8 INTEREST PAYMENTS ON CENTRAL GOVERNMENT DEBT 2013-2015

SEK billion	2013	2014	2015
Interest on loans in SEK	24.4	25.3	23.5
Interest on loans in foreign currency	0.8	0.9	0.7
Realised currency gains and losses	-9.3	-9.3	-1.4
Interest payments	15.9	16.8	22.8

Between 2014 and 2015 interest payments increase somewhat. The main reason is a relatively large payment of accrued inflation compensation when SGB IL 3105 matures in December 2015.

FIGURE 3 INTEREST PAYMENTS ON CENTRAL GOVERNMENT DEBT 2000-2015, CURRENT PRICES



Budget balance and central government net lending

The Debt Office estimates that central government net lending will be -1.0 per cent of GDP in 2013 and -1.2 per cent in 2014. For 2015 central government net lending is estimated at -0.3 per cent of GDP.

The fact that the net lending deteriorates in 2014, despite the improvement of the economy, is due in part to the Government's proposal of fiscal easing totalling SEK 25 billion next year. For 2015 central government net lending improves again as tax income grows relatively rapidly due to the economic recovery.

TABLE 9 CENTRAL GOVERNMENT NET LENDING 2011-2015

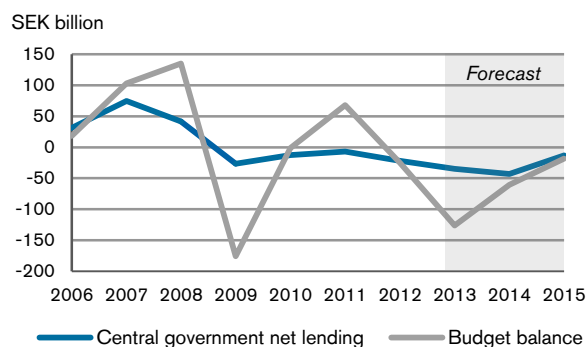
SEK billion	2011	2012	2013	2014	2015
Budget balance	68	-25	-126	-61	-18
Adjustment items	-75	3	92	18	5
Sale of limited companies	-23	0	-21	0	0
Parts of Debt Office's net lending	-5	8	94	6	4
Accruals etc.	-47	-5	18	12	1
Central government net lending	-7	-22	-35	-43	-13
Per cent of GDP	-0.2	-0.6	-1.0	-1.2	-0.3

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 has been made, the budget balance is affected and public debt decreases. The amortisation 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 incurred to finance the on-lending to the Riksbank. However, the budget balance is affected.

FIGURE 4 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 Oct	10.6	-1.9	8.7
Nov	-6.4	0.6	-5.8
Dec	74.1	8.6	82.8
2014 Jan	7.6	-1.4	6.1
Feb	-41.0	5.5	-35.5
Mar	-4.3	5.8	1.5
Apr	-13.7	-0.7	-14.5
May	-26.4	-5.0	-31.4
Jun	31.0	4.6	35.6
Jul	4.4	0.6	5.0
Aug	-8.4	5.2	-3.2
Sep	8.6	-1.9	6.7
Oct	12.1	-2.2	9.9
Nov	-6.5	0.1	-6.4
Dec	81.0	6.2	87.1

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 a partial analysis is presented 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 cent/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

In general all forecasters have a similar picture of the development of the borrowing requirement between 2013 and 2015. For 2013 the Debt Office is slightly lower than other forecasters, which is due to the fact that the other forecasters published their forecasts before the Government announced that it would sell its remaining shares in Nordea. For 2014 and 2015 the Government assumes a lower borrowing requirement than the other forecasters. This is largely due to the fact that the Government's forecast includes a standard rate of income from sales of state assets of SEK 15 billion per year. The NIER has not yet published a forecast of the borrowing requirement for 2015.

SEK billion	Debt office (Oct 23)			Government (Sep 18)			NIER (Aug 28)			ESV (Sep 25)		
	2013	2014	2015	2013	2014	2015	2013	2014	2015	2013	2014	2015
Net borrowing requirement	126	61	18	152	45	1	138	53	-	148	77	22
of which:												
Sales of state assets	-42	0	0	-25	-15	-15	-20	0	-	-20	0	0
New on-lending to the Riksbank	106	1	0	104	1	-1	109	0	-	104	1	-2
Fiscal easing	0	25	0	0	25	0	0	25	-	0	25	0
Adjusted net borrowing requirement	62	35	18	73	34	17	49	28	-	64	51	24

Unchanged government bond borrowing

Central government borrowing will decrease compared with the previous forecast. Borrowing in government bonds remains at SEK 74 billion as an annual rate until 2015. The issue volume of inflation-linked bonds is unchanged 2013 and 2014 compared with the previous forecast but will be raised to SEK 18 billion in 2015. Borrowing in the money market decreases compared to the previous forecast. The T-bill stock reaches a level of SEK 140 and 150 billion by the end of 2014 and 2015 respectively. The Swedish National Debt Office will issue a volume in foreign currency bonds equivalent to SEK 141, 60 and 70 billion in the years 2013 to 2015.

Central government borrowing will decrease by SEK 45 billion this year and SEK 67 billion next year compared to the previous forecast. The total gross borrowing requirement is estimated at SEK 389 billion in 2013, SEK 393 billion in 2014 and SEK 450 billion in 2015, see table 11.

The decrease in the borrowing requirement compared with the previous forecast is mainly related to the change in the net funding requirement. It allows the borrowing in treasury bills to decrease in 2013. This leads in turn to smaller money market redemptions and therefor a smaller gross funding requirement in 2014 compared with forecast in June.

TABLE 11 GROSS BORROWING REQUIREMENT 2012–2015
SEK billion

	2012	2013	2014	2015
Net funding requirement	25	126	61	18
Business day adjustment ¹	-6	-7	-16	-12
Retail borrowing & collateral, net ²	-1	21	8	18
Money market redemptions ³	159	206	163	244
T-bills	72	105	95	140
Commercial paper	43	77	28	69
Liquidity management	45	24	40	35
Bond redemptions	123	39	167	169
Government bonds	64	10	78	72
Inflation-linked bonds	21	0	3	42
Foreign currency bonds	39	30	86	54
Exchanges & buy-backs, net	6	3	11	13
Government bonds	2	1	6	5
Inflation-linked bonds	4	2	4	9
Foreign currency bonds	0	0	0	0
Total gross funding requirement	307	389	393	450

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

The total gross funding requirement will be greater in 2015 than 2014. The main reason is that the funding in the money market will increase again during 2014 compared with the year before, leading to larger redemptions in 2015. The stock in treasury bills is estimated at SEK 140 billion by the end of 2014 and SEK

150 billion by the end of 2015. Table 12 shows the revised borrowing compared to the forecast in June.

TABLE 12 BORROWING COMPARED WITH PREVIOUS FORECAST

SEK billion	2013		2014		2015	
	Oct	(Jun)	Oct	(Jun)	Oct	(Jun)
Money market funding	163	(211)	244	(287)	289	-
T-bills	95	(130)	140	(150)	150	-
Commercial paper	28	(41)	69	(97)	79	-
of which Central						
Government	10	(10)	51	(63)	61	-
of which on-lending to						
the Riksbank	18	(31)	18	(35)	18	-
Liquidity management	40	(40)	35	(40)	60	-
Bond funding	226	(222)	149	(172)	161	-
Government bonds	74	(74)	74	(84)	74	-
Inflation-linked bonds	12	(12)	15	(15)	18	-
Foreign currency bonds	141	(137)	60	(73)	70	-
of which Central						
Government	6	(13)	17	(33)	26	-
of which on-lending to						
the Riksbank	135	(124)	43	(40)	44	-
Total gross funding	389	(433)	393	(459)	450	-

¹ Outstanding stock as of year-end.

Borrowing in government bonds remains at SEK 74 billion in 2014 and 2015. The increase to SEK 84 billion will therefore not take place as was announced in a press release after the forecast in June. The main part of issues will be in the ten-year maturity.

The issue volume remains at an annual rate of SEK 12 billion this year and SEK 15 billion 2014. Then the issue volume is to be raised to SEK 18 billion by the addition of three auctions. The reason for this increase is to counter the decline in the share of inflation-linked debt.

The lower funding requirement leads to lower issues in foreign currency bonds on behalf of central government during 2014. In addition to the on-lending to the Riksbank the Debt Office plans to issue foreign currency bonds totalling SEK 17 billion and SEK 26 billion in 2014 and 2015.

TABLE 13 IMPORTANT DATES 2013 AND 2014

Date	Time	Activity
6 Nov	09.30	Press release on exchanges from SGB IL 3105 3.5% 1 Dec 15
4 Dec	09.30	Press release on exchanges to SGB 1058 X% 12 May 2025
5-6 Dec	11.00	Exchanges from SGB IL 3105 3.5% 1 Dec 15
11 Dec	09.30	Press release on exchanges to SGB IL 3109 X% 1 Jun 2025
22 Jan	16.20	Terms SGB 1058 X% 12 May 2025
29 Jan	11.00	First issue of SGB 1058 X% 12 May 2025
30 Jan - 4 Feb	11.00	Exchanges to SGB 1058 X% 12 May 2025
30 Jan	16.20	Terms SGB IL 3109 X% 1 Jun 2025
6 Feb	11.00	First issue of SGB IL 3109 X% 1 Jun 2025
7-11 Feb	11.00	Exchanges to SGB IL 3109 X% 1 Jun 2025
19 Feb	09.30	Central Government Borrowing – Forecast and Analysis 2014:1
6-7 Mar	11.00	Exchanges from SGB IL 3105 3.5% 1 Dec 15
12 Mar	09.30	Press release on exchanges to SGB 1058 X% 12 May 2025
8-12 May	09.30	Exchanges to SGB 1058 X% 12 May 2025
15-16 May	11.00	Exchanges from SGB IL 3105 3.5% 1 Dec 15

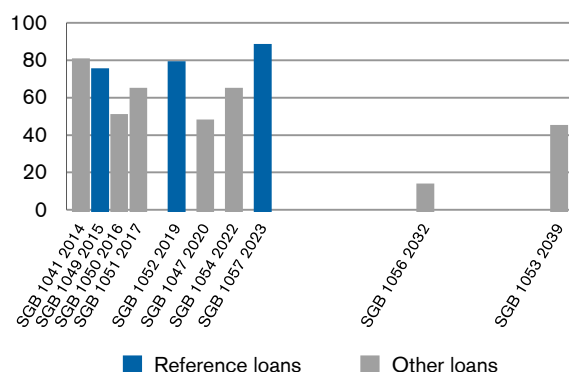
The increase of the government bond issue volume will not take place

The issue volume of nominal government bonds remains at SEK 74 billion per year in 2013, 2014 and 2015. As was announced earlier, the increase of the auction volume to SEK 4 billion in 2014 will not take place. The Debt Office is keeping the auction volume at SEK 3.5 billion for the whole forecast period, i.e. until December 2015.

The Debt Office primarily borrows in the 10-year segment, but issues are also made in the 5 and 2-year segment.

FIGURE 5 OUTSTANDING GOVERNMENT BOND (BENCHMARKS) ON 30 SEPTEMBER 2013

SEK billion



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 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. Issuing new bonds with maturities longer than 12 years can therefore not be justified. However, the Debt Office will sell smaller volumes in auctions if there should be clear indications of 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 portfolio duration 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 bonds in 2014 and 2015

A new government bond SGB 1058 X % 12 May 25 will be introduced on 29 January 2014. 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. The Debt Office also plans to issue a new 10-year bond in 2015.

TABLE 14 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
17 December 2014	1051	1047	

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 6 OUTSTANDING STOCK OF GOVERNMENT BONDS SEK billion

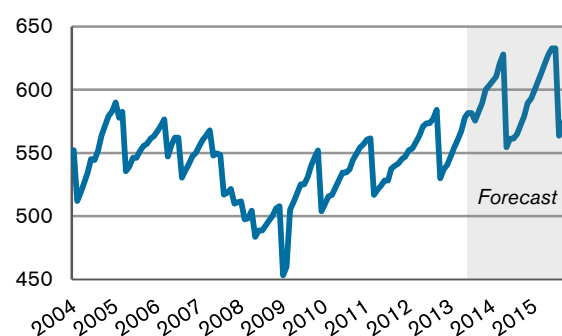
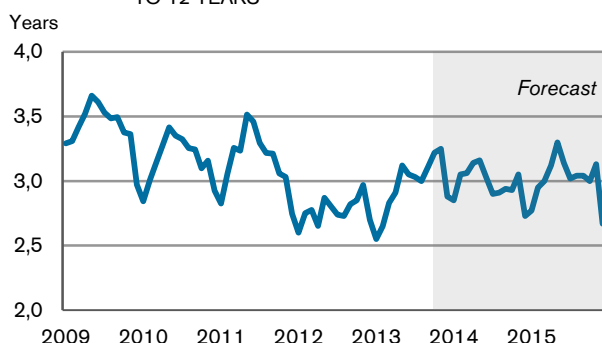


FIGURE 7 THE INTEREST RATE REFIXING PERIOD OF NOMINAL KRONA DEBT FOR MATURITIES OF UP TO 12 YEARS



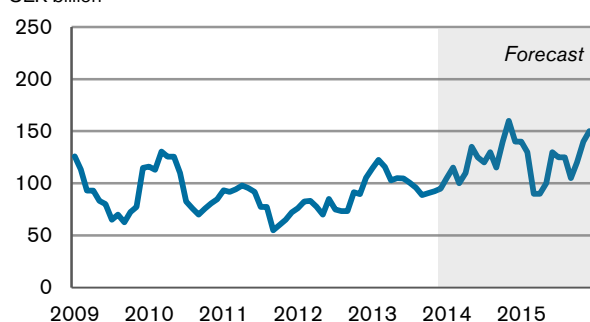
T-bill stock decreases somewhat

The borrowing in T-bills decreases somewhat during 2013 and 2014 due to lower borrowing requirement. By year end 2014 the stock is expected to reach SEK 140 billion, which is SEK 10 billion lower than the last forecast. By year end of 2015 the stock will reach SEK 150 billion.

The T-bill stock is expected to decrease to an average outstanding volume of SEK 100 billion during 2013. During 2014 and 2015 the average outstanding stock will be about SEK 120 billion.

At present a T-bill volume of around SEK 15 billion per auction is issued on average. 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 8 OUTSTANDING T-BILL STOCK
SEK billion



Borrowing in commercial paper to decrease

Borrowing in commercial paper will decrease in 2013 and 2014. The reason is that a larger than previously expected part of the on-lending to the Riksbank is to be in bonds in foreign currencies. In addition, the Debt Office plans to borrow less in commercial paper on behalf of central government in 2014 compared with the June forecast. Funding in commercial paper increases during 2015 compared to 2014, see table 12.

Swap volume increases

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 increase compared with the previous forecast to SEK 28 billion in 2013 and SEK 37 billion in 2014. This is an increase of SEK 2 billion and SEK 12 billion respectively. In 2015 the total volume is expected to be SEK 35 billion.

The outstanding stock of interest rate swaps will decrease marginally in 2013 but will increase in 2014 and 2015, see table 15. 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.

TABLE 15 CHANGE IN OUTSTANDING SWAPS
SEK billion

	2012	2013	2014	2015
Interest rate swaps ¹	0	8	12	35
Cross currency swaps ²	20	20	25	0
Swaps total	20	28	37	35
Swaps maturing	-20	-29	-25	-28
Swaps, net change	0	-1	12	7

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

² Cross currency swaps from fixed SEK rate to floating rate in foreign currency.

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. The 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 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.

INTEREST RATE SWAPS

The Debt Office uses interest rate swaps to shorten the interest rate re-fixing period and thereby lower the expected cost. Interest rate swaps includes the following steps:

- The Debt Office issues a government bond at, for example, ten year maturity with a certain coupon.
- The Debt Office obtains a fixed rate and pays a floating rate in an interest rate swap with the same maturity.
- The fixed interest rate payments mean that the exposure in the fixed rate is eliminated. The net effect is that the Debt Office pays a floating rate until the bond and the swap mature.

Increased issue volume in inflation-linked bonds in 2015

Borrowing in inflation-linked bonds remains unchanged until the end of 2014 compared with the previous forecast. That is, issue volumes remain at SEK 12 billion this year, and rise to SEK 15 billion per year from January 2014. New for this forecast, is the fact that the yearly rate of issuance will increase to SEK 18 billion at the beginning of 2015. The auction volume, however, will remain at SEK 1 billion per auction. The issue volume will increase through the addition of three auctions per year. Altogether there are to be 15 auctions in 2014 and 18 auctions in 2015.

This year the Debt Office is primarily issuing in the bonds *SGB IL 3107 0.5% 1 Jun 17* and *SGB IL 3108 0.25% 1 Jun 22*. Next year and in 2015, the planned new ten-year inflation-linked bond *SGB IL 3109 X% 1 Jun 25* will be added.

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. The average time to maturity of the inflation-linked bond stock is expected to be 7.6 years during the forecast period.

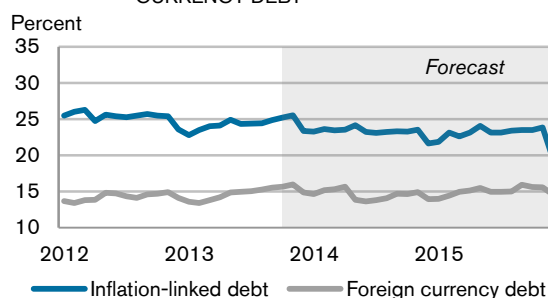
The inflation-linked share of government debt

The share of inflation-linked debt will decline during the forecast period. In order to somewhat reduce this decline the Debt Office will increase borrowing in inflation-linked bonds during 2015.

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, raising the share of inflation-linked debt.

FIGURE 9 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.

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 years. The outstanding nominal value was SEK 42 billion as of 30 September.

According to the policy of the Debt Office concerning inflation-linked bonds with a short time to maturity, exchanges will be offered amounting to a total of SEK 20 billion before this bond becomes shorter than one year. The plan is to offer exchanges of SEK 5 billion this coming December, followed by exchanges totalling SEK 15 billion during the first half-year of 2014. For more information, please see table 13.

In these 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*. The exchanges will be made partly risk neutral, partly cash neutral, to meet the diverse interests of investors who wish to participate in these exchanges. More information concerning the exchanges will be available in a press release on 6 November at 09.30 am.

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 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 Debt Office introduced a buy-back facility whereby 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.

No new long-term inflation-linked bond

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 decreases

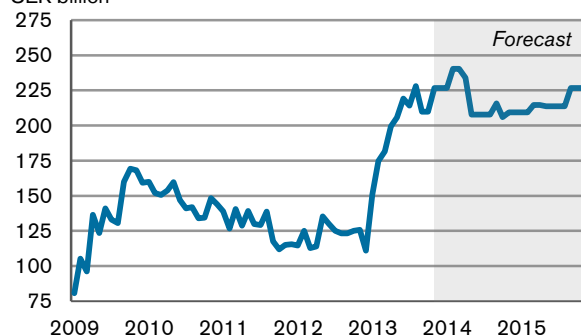
Bond borrowing in foreign currency totals SEK 141 billion and SEK 60 billion in 2013 and 2014 respectively. For 2013 this is an increase of SEK 4 billion compared with

the June forecast. The reason is that some funding in commercial paper on behalf of the Riksbank has been replaced by foreign currency bonds. On the other hand, bond borrowing in foreign currency on behalf of central government decreases as previously announced.

So far this year, the Debt Office has issued bonds in foreign currencies equivalent to around SEK 128 billion. For the remainder of 2013 a volume equivalent to around SEK 13 billion is planned to be issued.

In 2014 the borrowing in foreign currency bonds will decrease compared to the previous forecast. The reason is lower borrowing on behalf of central government. In 2015 bond borrowing in foreign currency is expected to amount to SEK 70 billion.

FIGURE 10 OUTSTANDING BONDS IN FOREIGN CURRENCY
SEK billion



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 of 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.

On-lending to the Riksbank

The Debt Office has borrowed in foreign currency on behalf of the Riksbank in order to strengthen the foreign currency reserve. This on-lending now amounts to approximately SEK 196 billion. The Debt Office will borrow a total of SEK 152, 60 and 61 billion in commercial paper and bonds in foreign currency on behalf of the Riksbank in 2013, 2014 and 2015. During 2014 and 2015 borrowing covers refinancing of on-lending.

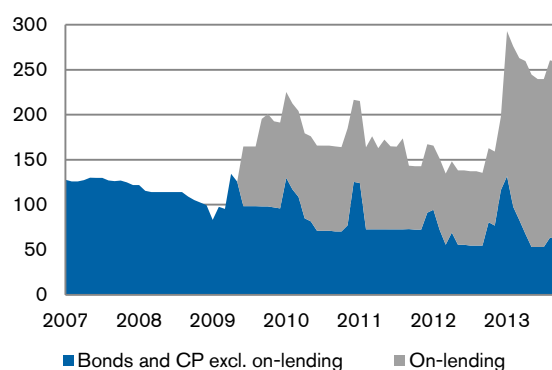
So far this year an amount of SEK 122 billion of bonds in foreign currency has been issued on behalf of the Riksbank. According to the current forecast it is planned to raise an additional nearly SEK 13 billion on behalf of the Riksbank in 2013.

Borrowing will focus on benchmark bonds in the capital market with maturities of up to five years and, in part, also on 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 see the box below.

Figure 11 shows outstanding volumes in foreign currency bonds and commercial paper for the purpose of on-lending as well as for the Debt Office's own account.

FIGURE 11 ON-LENDING IN FOREIGN CURRENCY
SEK billion



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 13 for details of how this will take place. The Debt Office plans to carry out cross currency swaps between SEK and foreign currencies for SEK 20 billion and SEK 25 billion in 2013 and 2014, respectively, see table 15. This is an increase compared with the previous forecast.

The Debt Office has started a review of the currency exposure in central government. In the proposal for

guidelines for central government debt management it recommends that the share of foreign currency debt be replaced by a limit of 15 per cent. Work on analysing the costs and risks associated with foreign currency exposure has not yet been completed and the Debt Office is planning to maintain the share basically unchanged, see figure 9.

Central government debt development

Table 16 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 16 NET BORROWING PER CALENDAR YEAR
SEK billion

	2010	2011	2012	2013	2014	2015
Net borrowing requirement	1	-68	25	126	61	18
Business day adjustment ¹	25	11	-6	-7	-16	-12
Net funding requirement	26	-57	19	119	45	6
Retail funding & collateral ²	-2	9	1	-21	-8	-18
Net money market funding	-32	-18	47	-44	81	45
T-bills	-30	-13	33	-10	45	10
Commercial paper	29	-12	34	-49	41	10
Liquidity management	-31	6	-20	16	-5	25
Net bond market funding	59	-47	-29	184	-29	-21
Government bonds	53	-9	-7	63	-11	-4
Inflation-linked bonds	11	1	-19	9	8	-33
Foreign currency bonds	-4	-38	-3	111	-25	16
Total net funding	26	-57	19	119	45	6

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, 2014 and 2015 central government debt is expected to amount to SEK 1 270, 1 319 and 1 323 billion respectively. It corresponds to a share of GDP of 35 per cent 2013 and 2014. During 2015 the share will decrease to 34 per cent. table 17 sets out how 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 central government debt only accounts for gross debt, money market assets are included. 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 Debt Office 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.

Using this measure the debt will be SEK 1 040, 1 088 and 1 094 billion 2013, 2014 and 2015. That corresponds to 29 per cent 2013 and 2014. During 2015 the debt will decrease to 28 per cent.

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 205 billion at the end of 2015 based on the current exchange rate.

FIGURE 12 CENTRAL GOVERNMENT DEBT DEVELOPMENT

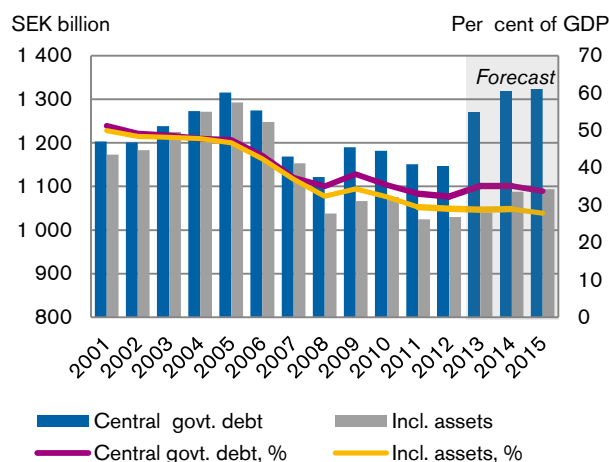


TABLE 17 NET BORROWING AND CENTRAL GOVERNMENT DEBT

SEK billion	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net borrowing, business day	-117	-144	156	26	-57	19	119	45	6
Certain debt adjustments ¹	4								
A. Nominal amount including money market assets	1 120	976	1 131	1 157	1 101	1 120	1 239	1 284	1 290
Inflation compensation	28	33	30	31	34	31	29	23	18
Exchange rate effects	6	30	0	-26	-19	-28	-23	-13	-10
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	1 245	1 294	1 298
Money market assets	15	83	29	20	35	23	25	25	25
C. Central government debt	1 169	1 121	1 190	1 182	1 151	1 146	1 270	1 319	1 323
Money market assets	-15	-83	-29	-20	-35	-23	-25	-25	-25
On-lending	0	0	-94	-86	-91	-93	-205	-206	-205
D. Central government debt incl. on-lending and money market assets	1 153	1 038	1 067	1 075	1 025	1 030	1 040	1 088	1 094
Nominal GDP	3 126	3 204	3 106	3 338	3 481	3 549	3 614	3 758	3 926
C. Central government debt, % of GDP	37.4	35.0	38.3	35.4	33.1	32.3	35.2	35.1	33.7
D. Central government debt incl. on-lending and money market assets, % of GDP	36.9	32.4	34.3	32.2	29.4	29.0	28.8	28.9	27.9

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

ON LENDING IN FOREIGN CURRENCY

In connection with the financial crisis in 2009 the Debt Office decided, at the request of the Riksbank to borrow SEK 100 billion in foreign currency to strengthen the foreign currency reserve. In January 2013 this on-lending was extended by SEK 100 billion and the on-lending limit is now SEK 200 billion.

The Debt Office has credit facilities to Iceland and Ireland, commissioned by the Government following a decision of the Swedish Parliament. The loan agreement to Iceland was signed in 2009 and the joint lenders were Sweden, Denmark, Norway and Finland. Sweden's share of the total loan amounted to EUR 495 million. In May 2012 a loan agreement for a total of EUR 600 million was signed between Sweden and Ireland. 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. Central government financial wealth is not affected by the on-lending as the on-lending is matched 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 makes 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, on-lending to the Riksbank normally has the same amount, maturity, currency and yield as the foreign currency bonds. 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.

Central Government Borrowing – forecast and analysis is normally published three times a year.

Next report,
2014:1

19 February 2014

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Primary dealers

Primary dealers	Government bonds	Inflation-linked bonds	T-bills	Telephone	Reuters 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

Auction dates

GOVERNMENT BONDS, AUCTION DATES

Announcement date	Auction date	Settlement date
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
08-Jan-14	15-Jan-14	20-Jan-14
22-Jan-14	29-Jan-14	03-Feb-14
22-Jan-14	30-Jan-14*	04-Feb-14
22-Jan-14	31-Jan-14*	05-Feb-14
22-Jan-14	03-Feb-14*	06-Feb-14
22-Jan-14	04-Feb-14*	07-Feb-12
05-Feb-14	12-Feb-14	17-Feb-14
19-Feb-14	26-Feb-14	03-Mar-14
05-Mar-14	12-Mar-14	17-Mar-14
19-Mar-14	26-Mar-14	31-Mar-14
02-Apr-14	09-Apr-14	14-Apr-14
16-Apr-14	23-Apr-14	28-Apr-14
30-Apr-14	07-May-14	12-May-14
12-Mar-14	08-May-14*	13-May-14
12-Mar-14	09-May-14*	14-May-14
12-Mar-14	12-May-14*	15-May-14
14-May-14	21-May-14	26-May-14
28-May-14	04-Jun-14	10-Jun-14
11-Jun-14	18-Jun-14	23-Jun-14

*Exchange auction

INFLATION-LINKED BONDS, AUCTION DATES

Announcement date	Auction date	Settlement date
31-Oct-13	07-Nov-13	12-Nov-13
14-Nov-13	21-Nov-13	26-Nov-13
06-Nov-13	05-Dec-13*	10-Dec-13
06-Nov-13	06-Dec-13*	11-Dec-13
16-Jan-14	23-Jan-14	28-Jan-14
30-Jan-14	06-Feb-14	11-Feb-14
30-Jan-14	07-Feb-14*	12-Feb-14
30-Jan-14	10-Feb-14*	13-Feb-14
30-Jan-14	11-Feb-14*	14-Feb-14
13-Feb-14	20-Feb-14	25-Feb-14
27-Feb-14	06-Mar-14*	11-Mar-14
27-Feb-14	07-Mar-14*	12-Mar-14
13-Mar-14	20-Mar-14	25-Mar-14
27-Mar-14	03-Apr-14	08-Apr-14
09-Apr-14	16-Apr-14	23-Apr-14
08-May-14	15-May-14*	20-May-14
08-May-14	16-May-14*	21-May-14
15-May-14	22-May-14	27-May-14
05-Jun-14	12-Jun-14	17-Jun-14

*Exchange auction

GOVERNMENT BONDS, OUTSTANDING AMOUNT 30 SEPT 2013

Maturity date	Coupon %	Loan no.	SEK Million
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	76 307
01-Dec-20	5.00	1047	45 065
01-Jun-22	3.50	1054	62 131
13-Nov-23	1.50	1057	85 500
01-Jun-32	2.25	1056	11 000
30-Mar-39	3.50	1053	42 250
Total government bonds			582 508

T-BILLS, OUTSTANDING AMOUNT 30 SEPT 2013

Maturity date	SEK Million
16-Oct-13	18 083
20-Nov-13	23 138
18-Dec-13	27 500
19-Mar-14	20 000
Total T-bills	88 721

RATING

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

INFL.-LINKED BONDS, OUTSTANDING AMOUNT 30 SEPT 2013

Maturity date	Coupon %	Loan no.	SEK Million
01-Apr-14	0.00	3001	3 249
01-Dec-15	3.50	3105	42 210
01-Jun-17	0.50	3107	26 841
01-Dec-20	4.00	3102	30 048
01-Jun-22	0.25	3108	22 395
01-Dec-28	3.50	3104	43 318
Total Inflation-linked bonds			168 061

T-BILLS, AUCTION DATES

Announcement date	Auction date	Settlement date
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
30-Dec-13	08-Jan-14	10-Jan-14
15-Jan-14	22-Jan-14	24-Jan-14
29-Jan-14	05-Feb-14	07-Feb-14
12-Feb-14	19-Feb-14	21-Feb-14
26-Feb-14	05-Mar-14	07-Mar-14
12-Mar-14	19-Mar-14	21-Mar-14
26-Mar-14	02-Apr-14	04-Apr-14
09-Apr-14	16-Apr-14	22-Apr-14
22-Apr-14	29-Apr-14	02-May-14
07-May-14	14-May-14	16-May-14
20-May-14	27-May-14	30-May-14
04-Jun-14	11-Jun-14	13-Jun-14
18-Jun-14	25-Jun-14	27-Jun-14
25-Jun-14	02-Jul-14	04-Jul-14



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