

# Central Government Borrowing

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Forecast and analysis 2015:1



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In *Central Government Borrowing - forecast and analysis 2015:1* the Debt Office presents forecasts for central government finances and borrowing in 2015 up until 2016. An assessment of the economic development is given in the first section. The following section presents annual and monthly forecasts for the budget balance and the underlying analysis. These forecasts serve as the basis for borrowing, which is discussed in the last section of the report.

Hans Lindblad  
*Director General*



## The Debt Office's mission

The Debt Office is the Swedish government's financial manager. The 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, the Debt Office presents forecasts for central government finances in the coming two years. On the basis of these forecasts, the Debt Office estimates how much the government needs to borrow and sets up a plan for borrowing which is also included in the report.

On the fifth working day of each month, the central government budget balance (the net of all incoming and outgoing payments) is published for the previous month in a press release. The outcome is compared with the forecast from *Central Government Borrowing – Forecast and Analysis* and any deviations are explained. In connection with the monthly outcome, the Debt Office also presents the debt development in the report *Sweden's Central Government Debt*.

# Summary

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- The Debt Office expects Sweden's GDP to grow by 2.2 per cent this year and 2.4 per cent next year. The forecast for 2015 is unchanged, but for 2016 it is 0.3 percentage points lower than the previous forecast. This downward revision is mainly due to slightly lower consumption and a slightly weaker level of investment.
- The net borrowing requirement is expected to be SEK 80 billion in 2015. This is SEK 29 billion higher than in the previous forecast. The increase is mainly due to lower tax income and higher interest payments on the central government debt.
- Central government net lending is estimated at -1.7 per cent as a proportion of GDP in 2015 and -0.9 percent in 2016.
- The central government debt is expected to be SEK 1 477 billion at the end of 2015 and 1 503 billion at the end of 2016. This corresponds to 37 and 36 per cent of GDP respectively.
- Borrowing in government bonds will increase by SEK 9 billion this year and SEK 11 billion next year by increasing the auction volume from SEK 3.5 billion to SEK 4.0 billion as of 11 March. On 20 May a new ten-year government bond will be introduced.
- Borrowing in T-bills and liquidity management instruments will also increase in order to finance the larger borrowing requirement. For T-bills the average auction volume will increase from SEK 15 to 17.5 billion.
- The issue volume of inflation-linked bonds is at the same level as before. A new 17-year inflation-linked bond will be introduced in the spring.

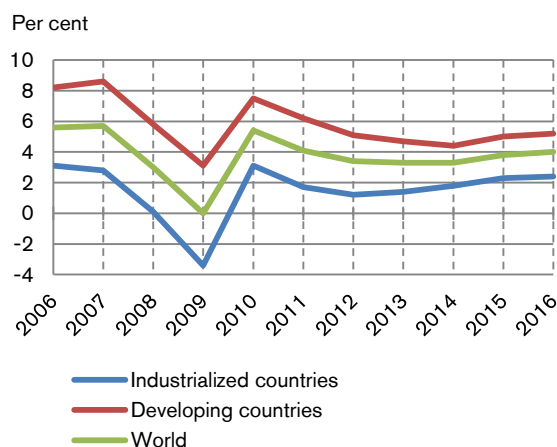
# Weak global growth

The prospects for global growth have been revised downwards slightly since the previous forecast. The weak international development means that the Swedish economy will also grow at a moderate rate in 2015 and 2016. The Debt Office's new forecast for GDP growth is 2.2 per cent this year and 2.4 per cent next year.

## The US even more of a locomotive in the global economy

The IMF has adjusted its forecast for global growth downwards. Growth has been adjusted downwards by 0.3 percentage points for both 2015 and 2016 to 3.5 and 3.7 per cent respectively. Despite optimistic expectations for the future and rising asset prices, the residual effects of the financial and debt crisis have slowed the recovery in the industrialised world. Growth is expected to be lower in the euro area and the emerging economies, while it is expected to be higher in the US, where the recovery appears ever stronger.

**Figure 1 Global GDP growth**



Source: IMF

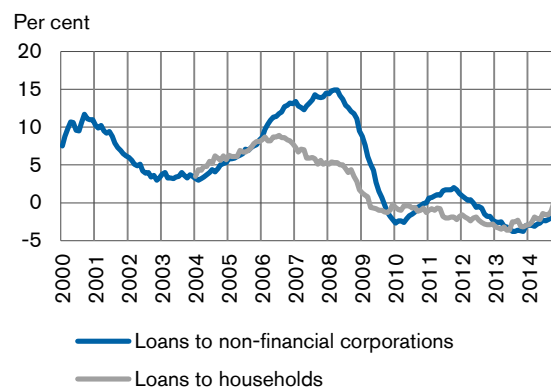
## Euro area – continued low growth

Growth in the euro area is low and unevenly distributed. Weak demand, high debt and low employment continue to burden production and investment. The IMF assesses that growth will be 1.2 per cent for 2015 and 1.4 per cent for 2016.

The rate of inflation is below the target of the European Central Bank. Inflation expectations have also fallen after the summer. To reduce the risk of deflation the ECB has responded with a number of unconventional measures in order to foster access to credit. By injecting liquidity into the bank system and by purchasing government bonds, housing

bonds and securitised bank loans the ECB wants to create conditions to make the granting of credit function better. This stimulus has stopped the negative development on the credit market and led to a weaker euro. Along with a halving of the oil price, this means a powerful stimulus to the economy, making the risk picture for the euro area more balanced for the first time for a long time.

**Figure 2 Credit growth in the euro area**



Source: ECB

## United States – stronger growth

According to the IMF in the US is expected to be 3.6 per cent in 2015 and 3.3 per cent in 2016. This is slightly higher than the potential growth. The Fed (the US central bank) argues that in the short term its expansive monetary policy does not create inflationary pressure since there are still relatively substantial unused resources in the economy. Coming inflation statistics will therefore play a particularly large role for how the Fed is expected to act.

Unemployment has decreased much faster than previously forecast by the Fed and is now 5.7 per cent. At the same time, there are still no signs of rising wages. According to the Fed and other analysts this is because the crisis years have created a situation in which more people work part time or are completely outside the labour market. These groups are thus a potential labour resource that means that unemployment can fall without generating any wage-driven inflation.

## Risks

Geopolitical tensions in the Middle East and Ukraine represent risks to global economic development. At the same time, the uncertainty surrounding the situation in Greece and the country's ability to finance its large government debt has increased. It may cause interference in the euro area.

The expansive monetary policy being conducted by most central banks, in the form of very low key interest rates and purchases of financial assets, encourages investors to make investments in more risky assets. This contributes to price rises and risks of financial bubbles.

In the second half of 2014 oil prices and other energy prices have fallen sharply. Since June the oil price has fallen by more than 50 per cent. One effect is to reinforce the falling price pressure, and this can make central banks conduct an even more expansive monetary policy. If the price fall is long-lasting, it will stimulate demand and provide a stimulus for the global economy.

## Moderate growth in the Swedish economy

The Debt Office expects Sweden's GDP to grow by 2.2 per cent this year and 2.4 per cent next year. The forecast is unchanged for 2015, but for 2016 it is 0.3 percentage points lower than the previous forecast. The downward revision is mainly due to slightly lower consumption and a slightly weaker level of investment.

Domestic demand will continue to keep growth up during the forecast period, while international demand, especially from the euro area, is expected to remain weak. Demand from emerging economies will not be as strong as in previous years either. This will be offset to some extent by a slightly better development in the United States.

The fall in oil prices can provide a demand stimulus for oil-importing countries through greater purchasing power for consumers. But it is also expected to lead to falling investments in the energy sector, and this might disfavour Swedish exports, a considerable part of which consists of investment goods.

**Table 1 National accounts, constant prices<sup>1</sup>**

Percentage change	2013	2014	2015	2016
Household consumption	1.9	2.4	2.2	2.3
General government consumption	0.7	1.5	1.5	1.5
Gross fixed capital formation	-0.4	4.5	4.7	4.9
Changes in inventories incl valuables	0.0	0.2	0.1	0.0
Exports	-0.2	2.3	3.6	4.3
Imports	-0.7	5.0	4.7	5.1
Net exports	0.2	-0.9	-0.3	-0.2
GDP	1.3	1.8	2.2	2.4
GDP calendar adjusted	1.3	1.9	2.0	2.2

<sup>1</sup> Actual change compared with previous year.

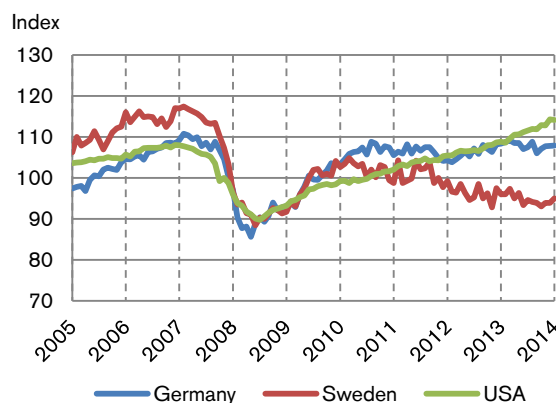
Exports increase during the forecast period, but the increase is relatively moderate from a historic perspective. Their development is expected to be slightly weaker than the growth of the world market. The weakening of the krona could make exports rise more than in the forecast.

The contribution of net exports to GDP growth is expected to be -0.3 percentage points for 2015 and -0.2 per cent for 2016, which is a significant improvement on 2014 when its contribution is estimated at -0.9 percentage points.

In 2014 investments were mainly driven by the sharp rise in housing investments, while growth in machine investments, for example, was weak. In 2015 and 2016 the growth of housing investments is expected to slacken, while investments in industry are expected to increase.

Industrial production in Sweden has shown negative growth since 2010. This is also reflected in the weak development of exports of goods. The development of industrial production has been much poorer than in Germany and the US, for example.

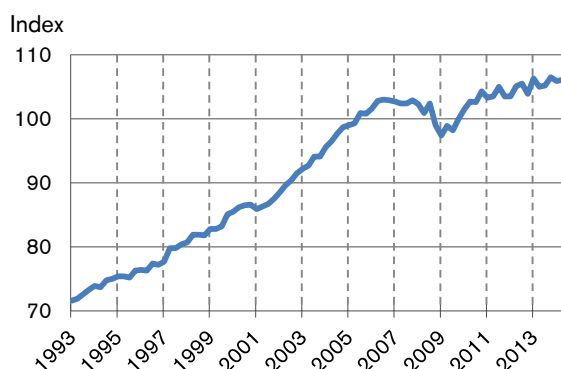
**Figure 3 Industrial production 2005–2014**



Source: Datastream

In contrast the production of services has increased. Since 2010 employment has also risen by approximately 250 000 people. This increase has mainly taken place in the service sector and the public sector. Since these are sectors with low productivity growth, it is falling in the economy as a whole. The latest national accounts indicate that productivity growth was close to zero in 2014. The assessment of the Debt Office is that it will increase to around 1 per cent in 2015 and 2016 when exports grow.

**Figure 4 Labour productivity in Sweden 1993–2014**



Source: Datastream

Employment and hours worked will continue to rise, but not as quickly as in recent years. This is part of the reason why GDP growth will not reach the levels normally required for resource utilisation to increase.

### Labour market

Employment is expected to increase by about 1 per cent both this year and next year. The labour force is expected to grow somewhat more slowly, resulting in a fall in unemployment to 7.6 per cent in 2016. The slower growth of the labour force is due to demographic factors, but also to the levelling off of the effects of the reforms implemented in recent years to increase the labour supply.

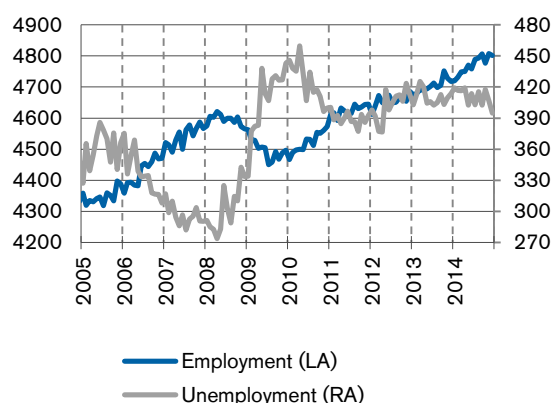
**Table 2 Key ratios for the labour market**

	2014	2015	2016
Labour force	1.3	1.0	0.8
Employment	1.4	1.1	1.0
Unemployment <sup>1</sup>	7.9	7.8	7.6
Average hours worked	0.5	-0.1	0.0
Hours worked	1.9	1.0	1.0
Hourly wages	1.8	2.4	2.5
Wage sum	3.7	3.4	3.5
Productivity	0.0	1.0	1.2

<sup>1</sup> 15-74 years, per cent of labour force

The increase in employment will continue to take place in the service sector and the public sector. According to statistics from the National Accounts (NA) the growth of hourly pay halted at about 1.8 per cent in 2014. This is a downshift in wage growth.

**Figure 5 Employment and unemployment, thousands**



Source: Statistics Sweden

Despite a long recession nominal wages have developed well in recent years. The unexpectedly low inflation has led to good growth in real wages. However, there is a risk that tougher competition in the labour market and lower inflation expectations will moderate wage growth in the future. It is difficult for companies that are exposed to international competition to raise their prices, which eventually puts pressure on wage growth.

### Consumption

Overall, consumption grew strongly in 2014, especially for durable goods such as cars. On the other hand, the level of savings is high, which means that households are nevertheless continuing to be cautious.

There has been a relatively large improvement in the financial position of households for several years, which is due to factors including pay rises, tax reductions, low interest rates and low inflation. For many households their asset position has also improved as a result of price rises for homes and financial assets.

Household consumption is expected to rise by 2.2 per cent this year and 2.3 per cent in 2016. This is SEK 0.1 and 0.2 percentage points lower than in the previous forecast. The reason is that disposable income will not rise as quickly as previously estimated and that households' expectations for the future have been dampened.

The consumer confidence indicator of the National Institute of Economic Research (NIER) shows that households remain slightly more negative than the historical average. They see the situation just now as bright; but their expectations for the future are slightly lower. Households' pessimism may be due in part to coming mortgage amortisation requirements and expected tax increases.

### Disposable income and savings

Households' real disposable incomes are expected to rise roughly in line with the historical average in the coming years. However, in nominal terms the growth will be slightly weaker than normal. Households' savings, excluding occupational pensions, are expected to amount to 7.8 per cent of disposable income in 2015 and to decrease slightly to 7.6 per cent in 2016.

**Table 3 Disposable income and savings ratio**

	2014	2015	2016
Real disposable income <sup>1</sup>	2.0	2.8	2.2
Savings ratio (excl. occupational pension)	7.2	7.8	7.6
Savings ratio	15.0	15.4	15.2
Nominal disposable income <sup>1</sup>	2.7	3.5	3.2

<sup>1</sup> Yearly percentage change

The wage sum is expected to rise by 3.4 per cent this year and 3.5 per cent next year. Household disposable income will also be strengthened by a rise in pensions of around 1 per cent this year and around 5 per cent in 2016. The increase in 2016 is due to balancing in the pension system.

# Net borrowing requirement revised upwards

The Debt Office expects a net borrowing requirement of SEK 80 billion in 2015 and SEK 34 billion in 2016. The revision upwards from latest forecast is mainly due lower tax income. Also higher interest payments on the central government debt contribute to higher net borrowing requirement this year.



## The 2015 Budget

The calculations for the net borrowing requirement in this report are based on the central government budget adopted by the Riksdag. In contrast, the Debt Office's previous forecast from December was based on a technical assumption for its calculations of unchanged rules for income and expenditure regarding 2015 and 2016. This meant that the calculations regarding taxes and expenditure for 2015 and 2016 were based on the rules for 2014. The budget adopted is, in principle, balance neutral which means that it has not had any great effect on the forecast of the total net borrowing requirement.

The Debt Office expects the net borrowing requirement this year to be SEK 80 billion. This is SEK 29 billion higher than in the previous forecast published in December. The main reasons for the increase are that tax income is estimated to be SEK 12 billion lower and interest payments on the central government debt SEK 8 billion higher than previously estimated. In addition, net lending by the Debt Office to government agencies will increase by SEK 4 billion.

Next year the Debt Office expects the net borrowing requirement to be SEK 34 billion, which is an increase of SEK 21 billion compared with the previous forecast. The increase is due in part to slower growth in the Swedish economy than was expected by the Debt Office in December. This means that tax bases and therefore tax income will grow more slowly. Tax income will decrease by SEK 14 billion compared with the previous forecast. In addition, net lending by the Debt Office to government agencies will increase by SEK 6 billion.

The reason for the decrease in the net borrowing requirement between the years is that the tax bases will grow with the economy at the same time as no new unfinanced reforms will be implemented. In addition, there is a relatively large decrease in interest payments on the central government debt and the contribution to the EU between 2015 and 2016.

**Table 4 Central government net borrowing requirement**

SEK billion	2015	2016
<b>Primary borrowing requirement</b>	<b>52</b>	<b>27</b>
of which net lending to agencies excl. on-lending	0	1
of which net lending, on-lending	10	12
of which sales of state assets	0	0
of which other primary borrowing	43	14
<b>Interest payments on central government debt</b>	<b>29</b>	<b>7</b>
<b>Net borrowing requirement</b>	<b>80</b>	<b>34</b>

The central government debt is expected to be SEK 1 477 billion at the end of 2015 and 1 503 billion at the end of 2016. This corresponds to 37 and 36 per cent of GDP respectively. The central government debt is presented in more detail in the section on borrowing.

## Forecast changes in net borrowing requirement

The Debt Office calculates that tax revenue will decrease by SEK 12 billion this year and SEK 14 billion next year compared with the previous forecast. The decrease is mainly due to weaker growth of the wage sum and lower profit growth among companies. Interest payments on the central government debt increase by SEK 8 billion this year, which is chiefly explained by currency exchange losses on account of the weaker krona. Next year growth of the Swedish economy will be slightly weaker than the Debt Office's previous assessment and this contributes to lower tax income.





## Change in the net borrowing requirement between years

The table shows how the net borrowing requirement changes between 2012 and 2016 and how different parts of the net borrowing requirement affect the change.

The net borrowing requirement increases by SEK 8 billion between 2014 and 2015. This is mainly due to an increase in interest payments of SEK 25 billion from a very low level in 2014. The increase in the interest payments is offset by an increase in tax income of about SEK 40 billion at the same time.

Between 2015 and 2016 the net borrowing requirement decreases by SEK 47 billion. This is mainly because the interest payments fall again at the same time as tax income grows stably by just under SEK 40 billion between the years. Moreover, the contribution to the EU will be low temporarily in 2016.

The Debt Office has assumed that no new unfinanced reforms or sales of state assets will be carried out in 2015 and 2016.

<i>SEK billion</i>	2012	2013	2014	2015	2016
<b>Net borrowing requirement, level</b>	<b>25</b>	<b>131</b>	<b>72</b>	<b>80</b>	<b>34</b>
Net borrowing requirement, change	93	106	-59	8	-47
<b>Explained by;</b>					
Taxes	48	14	-26	-40	-38
Government grants to local governments	-3	4	5	-3	-1
Labour market	2	5	1	0	-2
Social Insurance	4	2	6	7	8
Migration	1	3	3	7	3
Sales of state-owned asset	23	-21	21	0	0
Share dividends	5	1	8	3	-4
EU contribution	5	1	5	-2	-8
Debt Office's net lending excl. on-lending	-11	-4	29	-20	1
On-lending	9	101	-104	7	2
Interest on government det.	-7	-11	-13	25	-21
Other	18	11	6	24	13

**Table 5 Major forecast changes<sup>1</sup>**

<i>SEK billion</i>	2015	2016
<b>Forecast December 2014</b>	<b>51</b>	<b>13</b>
Taxes	12	14
Labour market	1	1
Social insurance	0	2
Migration	0	0
Dividends	1	0
Interest payments	8	-3
Net lending excl. on-lending	-1	0
On-lending	5	7
Other	4	1
Sum of changes	29	21
<b>Forecast February 2015</b>	<b>80</b>	<b>34</b>

<sup>1</sup> Changes in terms of net borrowing requirement. A minus sign means that the net borrowing requirement decreases and plus means that it increases.

### Lower income from corporate taxes

The development of central government income from corporate taxes was in line with the Debt Office's forecasts in 2014.

The assessment of the development of corporate profits, and therefore of central government income from corporate taxes, has been revised downward slightly compared with the previous forecast for both 2015 and 2016.

For the export industry there is continued uncertainty about the global economy and world market growth. The weak development in the euro area, and particularly in Germany, means that the pull of international demand remains moderate. It is really only in the US that the recovery of the economy can be regarded as solid.

The development of domestic demand has been stronger, with household consumption and housing investment leading to a fairly good situation for retailing and the construction industry. In contrast, the development of industrial production continues to be weak. But, if the krona remains weak for a long period of time, this can result in a future stimulus for the export industry.

However, companies are relatively optimistic about the future. According to the NIER barometer, the confidence indicators are above their historical average for all sectors. But industrial companies are more pessimistic about their future profitability, where the assessment made is below the historical average.

**Table 6 Growth rates for tax forecast, current prices**

Percentage change	2013	2014	2015	2016
Household consumption	2.7	3.2	2.9	3.3
Wage sum	2.7	3.7	3.4	3.5
Household taxable income	3.4	2.8	3.9	3.9
Income from interest and dividends	-7.8	1.9	5.0	5.0
Deduction for interest on debts	-10.3	-7.3	-4.4	5.0
Household capital gains, net	15.8	3.8	3.8	3.8
Corporate taxable income	14.2	6.0	5.0	6.0

#### Lower income from payroll taxes

Payroll taxes will decrease by SEK 5 billion this year and SEK 3 billion next year compared with the previous forecast. This is mainly due to a lower rate of payroll growth.

Since the payments of local taxes to local governments have already been set for 2015, the major part of this poorer growth will impact the central government borrowing requirement in 2015. However, total local tax is settled with local governments in 2017, so the effect for central government in the long term will be smaller.

Wage sum growth has been revised downwards from 3.8 per cent to 3.4 per cent in 2015 and from 4.2 per cent to 3.5 per cent in 2016. The main reason is that wage growth is expected to be weaker, but employment and hours worked are also growing more slowly.

**Table 7 Tax income compared with previous forecast<sup>1</sup>**

SEK billion	2015	2016
Payroll taxes	5	3
Consumption taxes	1	2
Corporate taxes	5	7
Supplementary taxes	2	2
<b>Total</b>	<b>12</b>	<b>14</b>

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

According to statistics from the Swedish Tax Agency the rate of wage sum growth fell in the closing months of 2014. It is hard to determine whether or not this is a temporary drop. The decline

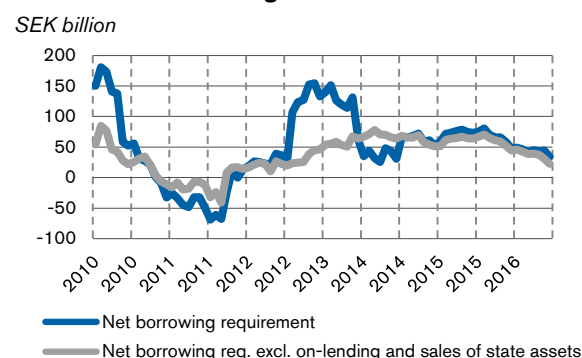
also applies to payroll taxes paid. Statistics from the National Accounts show weak growth of hourly pay but strong growth of the number of hours worked.

#### Lower consumption taxes

Consumption taxes decrease by SEK 1 billion in 2015 and SEK 2 billion in 2016 compared with the previous forecast.

Income from VAT will be lower in both years, mainly because consumption is expected to grow more slowly in nominal terms than before. The decrease in VAT income is offset by higher excise duties on alcohol, tobacco and vehicles.

**Figure 6 Net borrowing requirement, 12-month figures**



#### Dividends on state-owned shares

Central government income from share dividends is estimated at SEK 10 billion this year and SEK 13 billion in 2016. For 2015 this is a decrease of SEK 1 billion compared to previous forecast, which is mainly due to lower dividend from LKAB. For next year the forecast is unchanged.

The increase between the years is because Vattenfall is expected to pay a dividend in 2016 and a higher dividend from LKAB.

**Table 8 Dividends on state-owned shares**

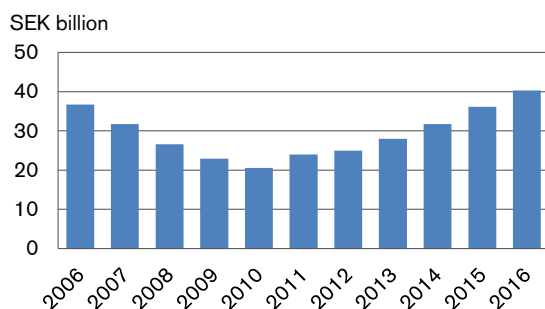
SEK billion	2014	2015	2016
Akademiska hus AB	1.4	1.4	1.4
LKAB	3.5	0.1	1.5
TeliaSonera AB	4.8	4.8	5.0
Vattenfall AB	0.0	0.0	2.0
Sveaskog AB	0.5	0.6	0.6
Other corporations	2.3	2.6	2.5
<b>Totalt</b>	<b>12.5</b>	<b>9.6</b>	<b>13.0</b>

#### Sickness benefit expenditure continues to rise

A marginal revision has been made in social insurance expenditure compared with the December forecast. This means a continuation of

the trend of gradually increasing expenditure pressure in health insurance, see figure 7. The level of expenditure in 2016 is expected to be twice as high as in 2010, when sickness benefit expenditure bottomed out after declining for several years.

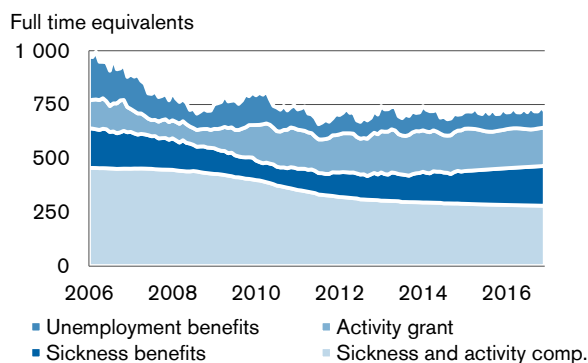
**Figure 7 Expenditure for sickness benefit etc. 2006-2016, SEK billion**



Source: Sweden Social Insurance Agency and own calculations

The number of full year equivalents receiving benefit in the form of unemployment benefit, activity support, sickness benefit and sickness and activity compensation is estimated to rise slightly in 2015–2016 compared with the level in 2014, see figure 8.

**Figure 8 Volumes, labour market and ill health**



Source: Statistics Sweden and own calculations

#### Labour market expenditure

Labour market expenditure has been revised upwards slightly since the December forecast on account of a slightly higher assessment of unemployment.

Despite this, the Debt Office expects expenditure for unemployment insurance to decrease during the forecast period as unemployment falls back. The number of participants in labour market programmes with activity support is only expected to decrease as of 2016.

#### Net lending by the Debt Office

The Debt Office's net lending to government agencies etc. is expected to amount to SEK 9 billion this year and SEK 12 billion in 2016. This is an increase of SEK 4 billion and SEK 6 billion respectively compared with the December forecast. The increase is mainly due to currency exchange effects in connection with the refinancing of loans raised on behalf of the Riksbank.

#### Currency exchange losses realised result in higher interest payments

Interest payments are estimated at just SEK 29 billion this year and roughly SEK 7 billion next year. This is SEK 8 billion higher and SEK 3 billion lower than in the previous forecast.

**Table 9 Interest payments on the central government debt**

SEK billion	2015	2016
Interest on loans in SEK	19.2	7.6
Interest on loans in foreign currency	0.9	0.6
Realised currency gains and losses	8.5	-1.0
<b>Interest payments</b>	<b>28.6</b>	<b>7.2</b>

The main reason why interest payments increase this year compared with the previous forecast is that the currency exchanges losses realised are expected to be higher. The weakening of the krona against the Swiss franc after unexpected decision of the Swiss central bank to abandon the link to the euro is expected to result in losses of around SEK 5.5 billion in the coming months.<sup>1</sup> In addition the krona has weakened against the dollar, which also increases the currency exchange losses realised.

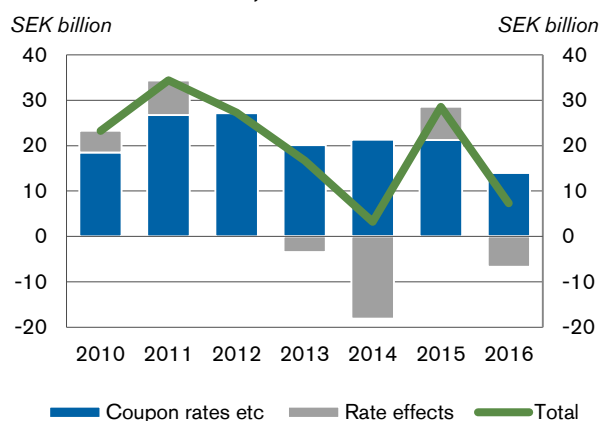
The downward revision for next year compared with the December forecast is mainly due to higher premiums on issues sold as a result of lower market rates.

As shown in figure 9, there is a sharp increase in interest payments between 2014 and 2015. This is because high premiums and currency exchange gains reduced interest payments by around SEK 18 billion in 2014. This year the rate effects are working in the other direction instead, resulting in an increase of some SEK 7 billion in interest payments. The level for 2015 is also affected by the payment by the Debt Office of accrued inflation compensation of around SEK 5 billion when inflation-linked bond SGB IL 3105 matures in December 2015. The absence of any

<sup>1</sup> Given the cut-off rates used in the forecast..

corresponding payment in 2016 is one reason why interest payments fall between 2015 and 2016.

**Figure 9 Interest payments divided into coupon interest etc. and rate effects<sup>2</sup>, 2010–2016**



The Debt Office uses cut-off rates in calculating interest payments and in measuring the Riksbank's foreign currency loans. The cut-off date for this forecast is 30 January.

**Table 10 Cut-off rates for interest rates, per cent**

Duration	3 mån	6 mån	2 år	5 år	10 år	30 år
Government bonds	0.0	0.0	-0.1	0.1	0.7	1.5
Inflation-linked bonds	-0.1	-0.1	-0.5	-0.5	-0.5	0.2
Swap interest rate SEK	0.1	0.1	0.1	0.4	1.0	
Swap interest rate EUR	0.0	0.1	0.1	0.3	0.7	1.3
Swap interest rate USD	0.2	0.3	0.7	1.4	1.8	

**Table 11 Cut-off rates for currencies**

Spot rates	2015-01-30
SEK/EUR	9.4
SEK/USD	8.3
SEK/CHF	9.0
SEK/JPY	0.1
SEK/GBP	12.4
SEK/CAD	6.5

## The budget balance and central government net lending

The Debt Office estimates central government net lending at -1.7 per cent as a proportion of GDP in 2015 and -0.9 per cent in 2016. The improvement of net lending is, in part, an effect of faster growth of tax bases as the economy improves.

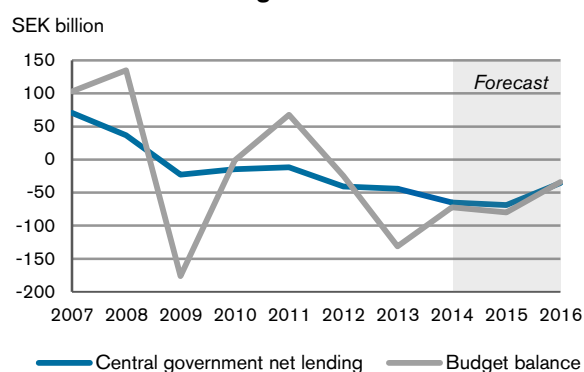
<sup>2</sup> This includes issues sold at a premium/discount, capital gains/losses in connection with switches/buybacks and currency exchange gains/losses realised.

**Table 12 Central government net lending**

SEK billion	2012	2013	2014	2015	2016
<b>Budget balance</b>	<b>-25</b>	<b>-131</b>	<b>-72</b>	<b>-80</b>	<b>-34</b>
<b>Adjustment items</b>	<b>-16</b>	<b>87</b>	<b>7</b>	<b>11</b>	<b>-2</b>
Sale of limited companies	0	-21	0	0	0
Parts of Debt Office's net lending	7	99	13	16	18
Accruals etc.	-23	9	-6	-5	-20
<b>Central government net lending</b>	<b>-41</b>	<b>-44</b>	<b>-65</b>	<b>-69</b>	<b>-36</b>
<b>Per cent of GDP</b>	<b>-1.1</b>	<b>-1.2</b>	<b>-1.7</b>	<b>-1.7</b>	<b>-0.9</b>

Net lending is a better indicator of the underlying central government finances than the net borrowing requirement and the budget balance. The budget balance is a cash flow measure that measures central government's incoming and outgoing payments. Net lending accrues payments to the point in time when the economic activity took place.

**Figure 10 Central government net lending and the budget balance**



Net lending is also adjusted for payments that do not affect the state's financial wealth. If, for example, the state sells financial assets such as shares this does not affect net lending. The state merely redistributes assets in its balance sheet, i.e. shares are exchanged for cash. However, when the payment is made, the budget balance is affected and the central government debt decreases. Amortising the central government debt does not affect the net asset position of the state either since the assets decrease just as much.

In the same way, net lending is not affected by lending to the Riksbank. This is because in its balance sheet the state receives an asset (a claim on the Riksbank) that corresponds to the increased indebtedness incurred in order to finance lending to the Riksbank. On the other hand, the budget balance and central government debt are affected.

## Monthly forecasts of the net borrowing requirement

The net borrowing requirement varies strongly between different months. The following table presents monthly forecasts for 2015.

Much of the variation between months is explained by the distribution of tax income, tax refunds and on-lending by the Debt Office over the year. Some individual payments also impact on the monthly pattern, one example being the annual payment of premium pension rights.

The large net borrowing requirement in December is normal for that month and is explained by the Debt Office's net lending (including the payment of premium pension funds), excess tax and interest payments on the central government debt.

**Table 13 Central government net borrowing requirement per month**

	Primary borrowing requirement excl. net lending	Net lending	Interest on central govt. debt	Net borrowing requirement
Feb-15	-37.3	-1.6	-0.5	-39.3
Mar-15	-5.9	-6.7	6.3	-6.3
Apr-15	-2.8	-4.9	3.6	-4.2
May-15	-24.2	3.7	4.1	-16.4
Jun-15	34.1	-4.5	1.5	31.1
Jul-15	10.1	-4.0	0.7	6.8
Aug-15	-9.5	-3.4	3.3	-9.5
Sep-15	8.9	-2.2	-2.6	4.1
Oct-15	13.5	-5.8	-3.2	4.6
Nov-15	-8.3	-2.7	2.1	-8.9
Dec-15	57.5	33.7	14.8	106.0



## Forecast comparisons

The Debt Office, the Swedish Financial Management Authority and the National Institute of Economic Research (NIER) make similar assessments of the net borrowing requirements in 2015 and 2016. The Government assumes substantially lower net borrowing requirements. The Government's forecast originates from the Budget Bill and was based on a substantially more optimistic macroeconomic assessment. In January the Government published an updated macro forecast, containing a relatively large downward revision of the growth figures. This may mean that the forecast of the net borrowing requirement published by the Government in connection with the Spring Fiscal Policy Bill will be more in line with the assessment of the other agencies.

All forecasters expect an economic recovery and the absence of unfinanced reforms to result in a decrease in the net borrowing requirement between the years.

SEK billion	Debt Office (19 Feb)		Government (23 Oct)		NIER (18 Dec)		ESV (15 Jan)	
	2015	2016	2015	2016	2015	2016	2015	2016
Net borrowing requirement	80	34	33	-5	80	33	69	29
of which:								
Sales of state assets	0	0	-15	-15	0	0	0	0
Adjusted net borrowing requirement	<b>80</b>	<b>34</b>	<b>48</b>	<b>10</b>	<b>80</b>	<b>33</b>	<b>69</b>	<b>29</b>



## Sensitivity analysis

The Debt Office does not produce any overall sensitivity analysis for the net borrowing requirement. Instead a partial analysis of the effects that changes in certain key variables have is presented. The table shows an estimate of what different changes mean for net borrowing requirement on a one-year term

<i>SEK billion</i>	
Increase by one per cent/percentage point	Effect on net borrowing requirement
Gross wages <sup>1</sup>	-7
Household consumption in current prices	-3
Unemployment (ILO 15-74) <sup>2</sup>	3
Interest rate level in Sweden <sup>3</sup>	5
International interest rate level <sup>3</sup>	2

<sup>1</sup> 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

<sup>2</sup> Includes effects on unemployment insurance benefits, the job and development guarantee programme and the job guarantee scheme for young people.

<sup>3</sup> This relates to an effect on interest payments on government debt.

# Increased borrowing in government bonds

Borrowing in government bonds will increase by SEK 9 billion this year and SEK 11 billion next year compared with the previous forecast. The stock of T-bills is growing gradually. The issue volume of inflation-linked bonds is at the same level as before. A new 17-year inflation-linked bond will be introduced in the spring.

## Changes since the previous forecast

Table 14 shows how borrowing is distributed between different instruments compared with the forecast in December.

**Table 14 Borrowing according to new forecast**

SEK billion	2014	2015		2016	
		Feb (Dec)	Feb (Dec)	Feb (Dec)	Feb (Dec)
<b>Money market funding<sup>1</sup></b>	<b>256</b>	<b>307 (273)</b>	<b>254 (223)</b>		
T-bills	88	125 (110)	135 (120)		
Commercial paper, of which	124	108 (100)	40 (40)		
<i>Central Government</i>	117	100 (100)	40 (40)		
<i>on-lending to the Riksbank</i>	6	8 (0)	0 (0)		
Liquidity management	44	75 (63)	79 (63)		
<b>Bond funding</b>	<b>177</b>	<b>197 (192)</b>	<b>197 (172)</b>		
Government bonds	77	86 (77)	88 (77)		
Inflation-linked bonds	17	18 (18)	18 (18)		
Foreign currency bonds, of which	84	93 (97)	91 (77)		
<i>Central Government</i>	25	40 (40)	22 (22)		
<i>on-lending to the Riksbank</i>	59	53 (57)	69 (55)		
<b>Total gross funding</b>	<b>433</b>	<b>505 (465)</b>	<b>452 (394)</b>		

<sup>1</sup> Outstanding stock as at year-end.

Borrowing in government bonds will increase by SEK 9 billion this year and SEK 11 billion next year by increasing the auction volume from SEK 3.5 billion to SEK 4.0 billion as of 11 March. On 20 May a new ten-year government bond will be introduced.

Borrowing in T-bills and liquidity management instruments will also increase in order to finance the increased borrowing requirement. For T-bills the average auction volume will increase from SEK 15 to 17.5 billion. If there is sufficient demand, this borrowing may be further increased later on.

Some of the borrowing in foreign currency bonds on behalf of the Riksbank will be temporarily replaced by commercial paper in 2015. In total, on-lending to the Riksbank is expected to increase

slightly in the forecast period in krona terms because the krona has weakened since December.

In the spring the Debt Office expects to introduce a 17-year inflation-linked bond via a syndicated switch for SGB IL 3104. This was already announced in the previous forecast.

## Gross borrowing requirement

The net borrowing requirement will increase by SEK 29 and 21 billion respectively in 2015 and 2016 compared with the previous forecast. In addition to covering the deficit in the central government budget, the Debt Office needs to borrow to finance maturing loans and buybacks in switches. Table 15 shows the gross borrowing requirement.

**Table 15 Gross borrowing requirement**

SEK billion	2014	2015	2016
<b>Net funding requirement</b>	<b>72</b>	<b>80</b>	<b>34</b>
<b>Business day adjustment etc<sup>1</sup></b>	<b>-4</b>	<b>0</b>	<b>-1</b>
<b>Retail borrowing &amp; collateral, net<sup>2</sup></b>	<b>3</b>	<b>20</b>	<b>6</b>
<b>Money market redemptions<sup>3</sup></b>	<b>180</b>	<b>256</b>	<b>308</b>
T-bills	94	88	125
Commercial paper	39	124	108
Liquidity management	47	44	75
<b>Bond redemptions, net switches and buy-backs</b>	<b>182</b>	<b>149</b>	<b>104</b>
Government bonds	89	74	58
Inflation-linked bonds	8	22	-3
Foreign currency bonds	86	54	49
<b>Total gross funding requirement<sup>4</sup></b>	<b>433</b>	<b>505</b>	<b>452</b>

<sup>1</sup> 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. To this adds the difference in calculation on money market instrument between accounting of government debt and accounting of the net borrowing requirement.

<sup>2</sup> Net change in retail borrowing and collateral.

<sup>3</sup> Initial stock maturing within 12 months.

<sup>4</sup> Refers to borrowing requirement in the institutional market.

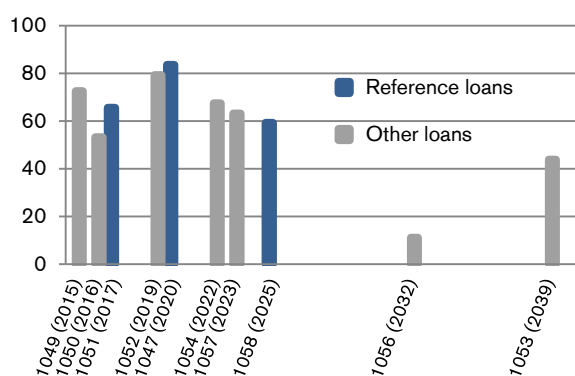
In 2015 the gross borrowing requirement will increase more than the net borrowing requirement

compared with the December forecast. The total increase is SEK 40 billion. This is because the net borrowing requirement turned out to be higher in December 2014 than the Debt Office had assumed. This was handled by short-term borrowing, leading to a greater refinancing need in the money market this year.

Next year the gross borrowing requirement will increase by SEK 57 billion compared with the December forecast. SEK 21 billion is explained by a higher net borrowing requirement and the remainder is due to a higher volume of loans maturing in the money market.

**Figure 11 Outstanding government bonds**

Billion SEK, 30 January 2015



## Increased borrowing in government bonds

Borrowing in government bonds will increase to SEK 86 billion this year and SEK 88 billion next year. The auction volume per auction will be raised to SEK 4.0 billion as of 11 March 2015. The auction volume will remain at the same level throughout the forecast period.

**Table 16 Reference bonds in the electronic interbank market**

Date of change (IMM date) <sup>1</sup>	2-year	5-year	10-year
Current reference bonds	1051	1047	1058
16 December 2015			1059

<sup>1</sup>The reference bond in electronic trading is the bond that is closest to two, five or ten years in terms of maturity. Reference bonds are only changed on the IMM date provided the new bonds are the bonds that are closest in terms of maturity to two, five or ten years on the subsequent IMM date. The underlying bond in a forward contract will always be the same as a reference bond during the last three months of the contract. The date of change of reference bonds refers to the settlement date. The first trading day for a new reference bond is normally the Friday preceding an IMM date.

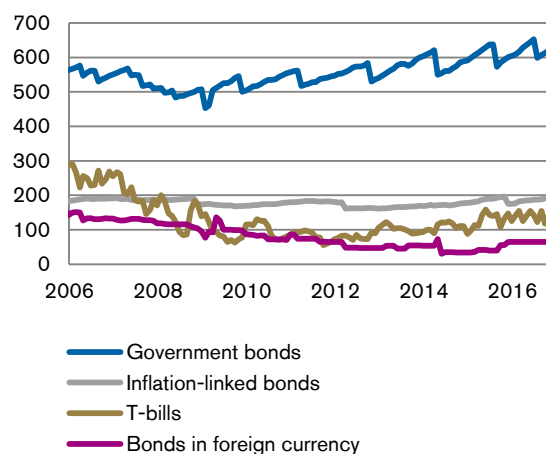
On 20 May the Debt Office plans to issue a new bond in the ten-year segment, SGB 1059 X% 12 Nov 26. The Debt Office mainly borrows in the ten-year maturity and in the five-year maturity. The emphasis is on the ten-year maturity. Issues are also made of two-year bonds.

There may also be individual issues in the existing 24-year bond SGB 1053, as well as in the 17-year bond SGB 1056, when there is demand in the market.

Figure 12 shows how the stock of government bonds has changed since January 2006. The figure illustrates the Debt Office's policy of giving priority to issues of government bonds ahead of other borrowing so as to maintain a liquid government bond market. For a number of years, when the borrowing requirement was small, there was a substantial decrease in borrowing in both T-bills and foreign currency bonds (apart from loans for the Riksbank). Now that the borrowing requirement is larger, these instruments are being used again.

**Figure 12 Stock of government securities and foreign currency bonds<sup>1</sup>**

Nominal amount, billion SEK



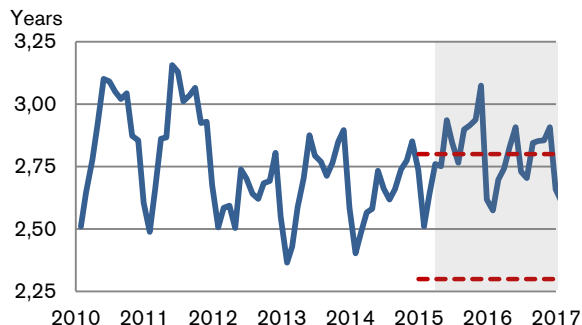
<sup>1</sup> Foreign currency bonds excluding loans on behalf of the Riksbank.

According to the guidelines for the management of the central government debt, the duration of the nominal krona debt with maturities up to 12 years is to be between 2.3 and 2.8 years. In recent months interest rates have fallen sharply, which leads to a duration that is longer than it would otherwise have been. The average duration for the forecast period is now close to the upper limit of the control range, see the figure below. As the Debt Office wrote in its proposed guidelines, the control range may have to be adjusted in the event of large interest rate movements. The Debt Office has therefore written



to the Government with proposals to adapt the interval to the new level of interest rates.

**Figure 13 The duration of the nominal krona debt, maturities up to 12 years**



### Treasury 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, there are always at least 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 majority of the issued amount is borrowed in the new T-bill that is introduced in the auction. The remainder is borrowed in one of the outstanding IMM T-bills.

If there is an issue of T-bills in the shortest maturities, it is done in the liquidity management, beside the auctions. The Debt Office issues T-bills with tailor-made maturities (liquidity bills) within the framework of the liquidity management.

### Borrowing in T-bills to increase

Borrowing in T-bills will increase both this year and next year. The stock of T-bills is estimated at SEK 130 billion and SEK 140 billion on average in 2015 and 2016. This can be compared with SEK 120 billion for both years in the previous forecast. The stock is expected to amount to SEK 125 and 135 billion at the end of 2015 and 2016 respectively.

The stock of T-bills has decreased sharply since 2006. The Debt Office's ambition is for the stock of T-bills to grow gradually in the future. As a first step, the issue volume will be raised from SEK 15 billion to SEK 17.5 billion on average per auction. If there is sufficient demand, this borrowing may be further increased slightly later on.

The Debt Office will evaluate T-bill borrowing in the spring and welcomes views on how the market can be developed.

**Table 17 Important dates 2015**

Date	Time	Activity
Spring 2015		Syndication of 17-year inflation-linked bond SGB IL 3111
22 April	09.30	Information on switches to SGB 1059
20 May	11.00	Introduction of SGB 1059
21-26 May	11.00	Switches to SGB 1059
16 June	09.30	Central government borrowing – forecast and analysis 2015:2

### Slightly larger commercial paper borrowing<sup>1</sup>

Borrowing in commercial paper will increase by SEK 8 billion on behalf of the Riksbank in 2015. This amount replaces previously planned borrowing in government bonds. Apart from this on-lending, the forecast is the same as in December.

At the end of 2015 the total stock was SEK 108 billion and it will then fall back to SEK 40 billion during 2016.

### Unchanged volume of interest rate swaps

The volume of interest rate swaps will remain at the same level both this year and next year as in the previous forecast. That is, SEK 30 billion this year and SEK 40 billion in 2016.

The maturity of the swaps corresponds to the average maturity of the government bonds issued. The swaps are spread relatively evenly over the year but with commercial flexibility regarding both time and maturity. The Debt Office may deviate from the planned volume if the borrowing requirement changes during the year.

Part of the outstanding currency exposure in the central government debt has been provided by the Debt Office swapping krona borrowing into foreign currency using what are called basis swaps. Following a proposal from the Debt Office, the Government has decided on a gradual decrease in the currency exposure in the central government

<sup>1</sup> Commercial paper is short securities issued under English law that the Debt Office issues in foreign currency.

debt. The decrease is to be a maximum of SEK 30 billion per year adjusted for exchange rate effects. This means that the Debt Office will no longer enter into basis swaps in order to provide exposure in foreign currency.

**Table 18 Change of outstanding swaps**

SEK billion	2014	2015		2016	
		feb	(dec)	feb	(dec)
Interest rate swaps <sup>1</sup>	21	30	(30)	40	(40)
Cross currency swaps <sup>2</sup>	9	0	(0)	0	(0)
<b>Swaps total</b>	<b>29</b>	<b>30</b>	<b>(30)</b>	<b>40</b>	<b>(40)</b>
Swaps maturing	25	28	(28)	38	(38)
<b>Swaps, net change</b>	<b>4</b>	<b>2</b>	<b>(2)</b>	<b>2</b>	<b>(2)</b>

<sup>1</sup> Interest rate swaps from fixed to floating rate in SEK.

<sup>2</sup> Cross currency swaps from fixed SEK rate to floating rate in foreign currency.

The outstanding stock of swaps will increase by SEK 2 billion per year in 2015 and 2016, see table 18. The Debt Office does not normally close swaps previously entered into. The change in the stock is therefore due to the net of new and maturing swaps.



## Interest rate swaps

The Debt Office uses interest rate swaps to shorten debt duration. This is done in the following way:

1. The Debt Office issues a government bond with, for example, a ten-year maturity and a particular coupon rate.
2. The Debt Office receives a fixed interest rate and pays a floating three-month interest rate (3M Stibor) in an interest rate swap for ten years.

As a result of the swap transaction, the Debt Office pays a floating rate instead of a fixed rate for ten years.

Since the fixed swap rate is higher than the interest rate on the government bond, the Debt Office pays 3M Stibor with a deduction that corresponds to the difference between the swap and the bond rate.

## Unchanged borrowing in inflation-linked bonds

Borrowing in inflation-linked bonds this year and next year will be unchanged from the previous forecast, i.e. SEK 18 billion in 2015 and in 2016. The auction volume will also continue to be SEK 1 billion per auction held throughout the forecast period.

In 2015 the Debt Office will, in the first place, issue in the ten-year year inflation-linked bond SGB IL 3109 along with the new four-year inflation-linked bond that was introduced in February.

In 2016 the Debt Office plans to give priority to issues in the next ten-year inflation-linked bond in order to build up the outstanding volume.

### New 17-year inflation-linked bond in the spring

In the December report the Debt Office announced that a new inflation-linked bond maturing in 2032 will be introduced in spring 2015. In the autumn the Debt Office gathered views about market interest in a new inflation-linked bond with a longer maturity than the present longest bond. The replies received showed that there is clear interest in longer maturities in inflation-linked bonds.

The new bond will be introduced via switches from SGB IL 3104 (2028), which has a large outstanding volume and makes up a considerable part of the inflation-linked debt. The Debt Office expects that the introduction will take place in the form of a syndicated switch. Syndication gives higher price transparency and makes it possible to switch a larger volume at one and the same time, see the fact box on syndication on page 19. The syndication will take place by selected lead managers selling the new bond in exchange for SGB IL 3104. The syndicate will announce the details of the switch closer to the time of the sale.

The introduction of a longer inflation-linked bond facilitates switches from SGB IL 3104, which contributes to reducing the large volume of this bond.

After the new long bond has been introduced, it may be issued sporadically at regular auctions when there is clear demand.



## Syndication

Syndication means that the Debt Office mandates a group of banks which will be responsible for the issuance. During the book-building process investors may submit bids to the syndicate.

The process follows an international standard. The syndication is a pot transaction, i.e. all bids are in the same order book regardless of which bank the bid is submitted. The bids are confidential outside the syndicate but open within the group and the Debt Office. A successful syndication assumes that investors communicate their interests to the lead managers.

### Next ten-year inflation-linked bond to be introduced in 2016

As previously announced, the Debt Office is planning to introduce a new ten-year inflation-linked bond in 2016. In connection with the introduction the Debt Office expects subsequent switches from nearby bonds, especially from SGB IL 3104.

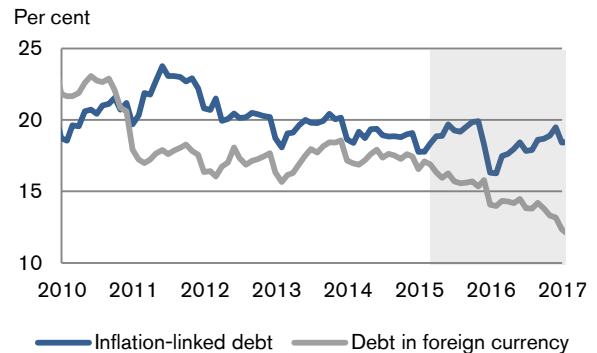
### Switches from 3107 to continue at the end of 2015

Switches from SGB IL 3107, which matures in 2017, will take place 2015 and spring 2016. In these switch auctions the new four-year inflation-linked bond is a natural candidate. In connection with the introduction of SGB IL 3110 SEK 6.6 billion of SGB IL 3107 was bought back.

The Debt Office intends to offer further switches from SGB IL 3107 towards the end of the year. The plan is to also offer a further round of switches in spring 2016.

The Debt Office's policy is to let about SEK 25 billion of an inflation-linked bond mature. The experience of SGB IL 3105 shows that a volume of SEK 25 billion can be too large for the market to handle in a short inflation-linked bond. The Debt Office is therefore prepared to consider slightly increasing the switch volume for SGB IL 3107 in order to reduce the volume outstanding when the bond has one year left to maturity.

**Figure 14 Share of inflation-linked debt and foreign currency debt in central government debt<sup>1</sup>**



<sup>1</sup> According to the guidelines for 2015 these shares are calculated on the basis of face value at the current exchange rate, including accrued compensation for inflation.

After 1 June 2016, when SGB IL 3107 will be shorter than one year, the Debt Office will no longer offer switches from this bond. Instead, the Debt Office will provide, in line with the present principle, a restrictive buyback facility, in which any buybacks are made at a premium since this is not a question of a regular buyback offer.

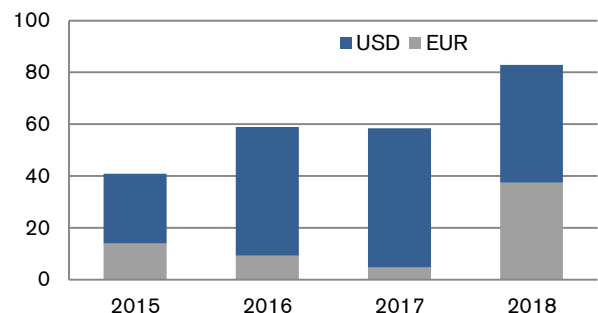
## Foreign currency bonds

Borrowing in foreign currency bonds will decrease slightly in 2015 compared with the previous forecast. The reason is that part of the planned bond borrowing on behalf of the Riksbank will be replaced temporarily by borrowing in commercial paper. In 2016 all on-lending to the Riksbank will be financed with bonds.

The total on-lending, including commercial paper, will probably increase slightly during the forecast period expressed in krona as a result of the weakening of the krona since December.

**Figure 15 Maturity profile of foreign currency bonds**

Billion SEK, 30 January 2015



Excluding the on-lending to the Riksbank, the forecast is the same as in December. The Debt Office expects to issue bonds in foreign currency for the equivalent of SEK 40 billion in 2015. In 2016 bond borrowing in foreign currency on behalf of central government will decrease to SEK 22 billion since the borrowing requirement is lower.



## On-lending

The payments made by the Debt Office in connection with lending to states, government agencies and state-owned companies are handled like other payments within central government.

Lending to other states and the Riksbank is presented in the Report 'Sweden's Central Government Debt' under the heading of on-lending. On-lending is included in the budget balance and is therefore part of the Debt Office's net borrowing requirement. However, on-lending is not included in central government net lending. The asset position of central government is not affected by on-lending since central government has a claim of the same size.

In the Debt Office's steering of central government debt these claims are set off against the debts incurred in financing the on-lending. This means that debt shares and maturity measures

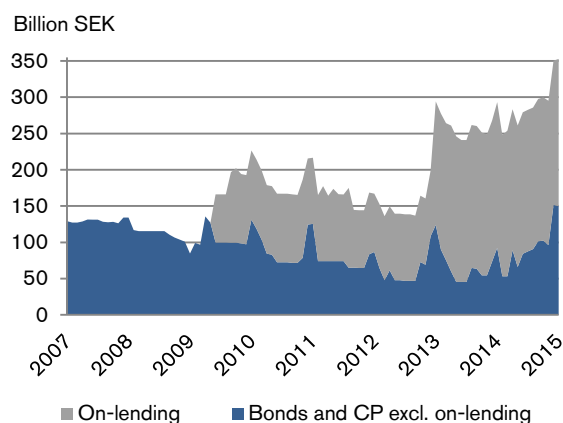
### On-lending to the Riksbank

On-lending to the Riksbank amounts to slightly less than SEK 240 billion. The increase in the volume since the previous report is due to exchange rate effects because of the weakening of the krona. The Debt Office expects maturing loans to be replaced with new loans and the volume in foreign currency to be maintained during the forecast period. The Debt Office's krona borrowing is not affected since this financing takes place in foreign currency, see the fact box about on-lending.

This borrowing is concentrated in large benchmark bonds in the capital market with maturities of up to five years. The choice of currency and maturity depends on market conditions. Figure 17 shows outstanding bonds and commercial paper in foreign

currency for on-lending to the Riksbank and on behalf of the state.

**Figure 16 Outstanding foreign currency loans**



## Net borrowing and central government debt

Table 19 shows how the net borrowing requirement is financed using various instruments.

**Table 19 Net borrowing per calendar year**

SEK billion	2014	2015	2016
Net borrowing requirement	72	80	34
Business day adjustment <sup>1</sup>	-4	0	-1
<b>Net borrowing requirement</b>	<b>68</b>	<b>80</b>	<b>33</b>
<b>Retail funding &amp; collateral, net</b>	<b>-3</b>	<b>-20</b>	<b>-6</b>
<b>Net money market funding</b>	<b>76</b>	<b>52</b>	<b>-54</b>
T-bills	-6	37	10
Commercial paper	85	-15	-68
Liquidity management	-3	31	5
<b>Net bond market funding</b>	<b>-4</b>	<b>48</b>	<b>93</b>
Government bonds	-12	12	30
Inflation-linked bonds	9	-4	21
Foreign currency bonds	-2	39	42
<b>Total net borrowing</b>	<b>68</b>	<b>80</b>	<b>33</b>

<sup>1</sup> 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. To this adds the difference in calculation on money market instrument between accounting of government debt and accounting of the net borrowing requirement.

In 2015 and 2016 net borrowing will be positive in government bonds and in foreign currency bonds. This means that the volume issued is greater than the volume maturing. For inflation-linked bonds net borrowing will be weakly negative in 2015 since an inflation-linked bond matures in December. However, in 2016 the stock will grow since none of the outstanding bonds matures.

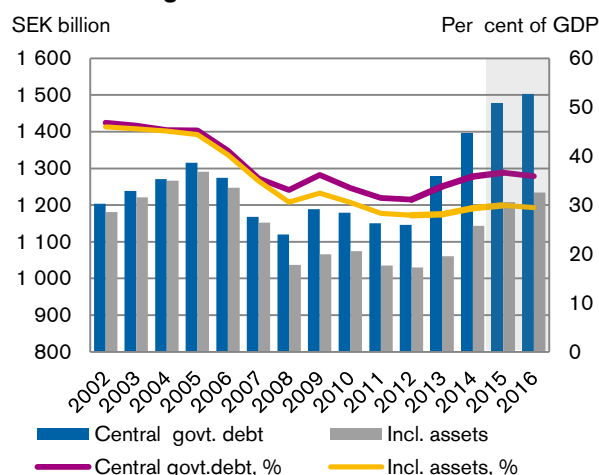
At the end of 2016 the central government debt is estimated at SEK 1 503 billion. This corresponds to a GDP share of 36 per cent. Figure 17 shows the development of the central government debt.

The change in the central government debt is due not only to the net borrowing requirement but also to what are called debt adjustments. Debt adjustments consist mainly of accrued inflation compensation and exchange rate effects. Since the official measure of the central government debt is the gross debt, the Debt Office's money market assets are not deducted. These assets are funds temporarily invested in the money market until they are used to pay expenditure in the central government budget or maturing loans.

The Debt Office also reports the net central government debt including assets. This figure includes not only assets in debt management but also assets in the form of claims from on-lending to foreign states and to the Riksbank. Measured in this way the debt is 29 per cent of GDP at the end of 2016.

This measure 'central government debt including on-lending and assets' is used in the steering of the central government debt according to the guidelines adopted by the Government and in the Debt Office's internal risk management. On-lending is a claim for the state, but unlike assets in the money market it is not available for the payment of central government expenditure.

**Figure 17 Development of the central government debt**



**Table 20 Net borrowing and the central government debt**

SEK billion	2009	2010	2011	2012	2013	2014	2015	2016
Net borrowing requirement	176	1	-68	25	131	72	80	34
Discrepancy between business and payment date <sup>1</sup>	-20	25	23	-17	0	-4	0	-1
<b>Net borrowing per business day</b>	<b>156</b>	<b>26</b>	<b>-45</b>	<b>8</b>	<b>131</b>	<b>68</b>	<b>80</b>	<b>33</b>
<b>A. Nominal amount including money market assets</b>	<b>1 132</b>	<b>1 158</b>	<b>1 113</b>	<b>1 121</b>	<b>1 253</b>	<b>1 321</b>	<b>1 401</b>	<b>1 434</b>
Inflation compensation	30	31	34	31	29	25	19	23
Exchange rate effects	-2	-28	-21	-29	-19	30	31	21
<b>B. Nominal amount to current exchange rate incl. inflation compensation and money market assets</b>	<b>1 160</b>	<b>1 161</b>	<b>1 126</b>	<b>1 123</b>	<b>1 262</b>	<b>1 376</b>	<b>1 452</b>	<b>1 478</b>
Assets under management	29	18	25	23	15	18	25	25
<b>C. Central government debt</b>	<b>1 189</b>	<b>1 179</b>	<b>1 151</b>	<b>1 146</b>	<b>1 277</b>	<b>1 394</b>	<b>1 477</b>	<b>1 503</b>
Assets under management	-29	-18	-25	-23	-15	-18	-25	-25
On-lending	-94	-86	-91	-93	-201	-233	-244	-244
<b>D. Central government debt incl. on-lending and assets under management</b>	<b>1 066</b>	<b>1 075</b>	<b>1 035</b>	<b>1 030</b>	<b>1 061</b>	<b>1 143</b>	<b>1 208</b>	<b>1 234</b>
Nominal GDP	3 289	3 520	3 657	3 685	3 775	3 893	4 034	4 185
<b>C. Central government debt, % of GDP</b>	<b>36</b>	<b>34</b>	<b>31</b>	<b>31</b>	<b>34</b>	<b>36</b>	<b>37</b>	<b>36</b>
<b>D. Central government debt incl. on-lending and money market assets, % of GDP</b>	<b>32</b>	<b>31</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>29</b>	<b>30</b>	<b>29</b>

<sup>1</sup> Adjustment for the difference between payment and business day. We account for borrowing and central government debt by business day while net borrowing requirements based on payment day. To this adds the difference in calculation on money market instrument between accounting of government debt and accounting of the net borrowing requirement.



## Measuring central government debt

The Central government debt is calculated as the value of outstanding debt instruments, mainly bonds and treasury bills, at the reporting date, calculated in accordance with established principles, see below. Within the framework of debt management are also certain assets. There are funds temporarily invested in the money market until they are used to pay expenses in the state budget or maturing loans. The assets mean that the actual liability is less than the sum of outstanding debt instruments.

Nominal amount or face value (A in the table above) is the sum of the amounts that the Debt Office is committed to paying when a debt instrument matures and receives at maturity if it is an asset. The amount is reported in SEK at the exchange rate at the time of borrowing.

The next step (in B above) is to report the nominal amounts at the current exchange rate and add the accrued inflation compensation for outstanding inflation-linked government bonds (this measure is called the uplifted amount at current exchange rate). These measures show the government debt when assets under management are taken into account.

The official measure of government debt (in C above) is defined based on principles laid down at EU level. It accounts for the Central government gross debt, without the assets. To obtain this measurement, we add the financial assets to measure B.

The Debt Office also reports "Central government debt including on-lending and assets under management" (under D above). This includes not only the assets under management but also certain other financial assets, namely on-lending to the Riksbank and foreign states. This measure is used in the management of government debt in accordance with guidelines adopted by the government and in our internal risk management. On-lending is a government claim, but not in the same manner as assets under management available for payment of government spending.

Liabilities are reported with a positive sign and assets with a negative sign.

# Market information

## Government bonds, auction dates

Announcement date	Auction date	Settlement date
18-Feb-15	25-Feb-15	27-Feb-15
04-Mar-15	11-Mar-15	13-Mar-15
18-Mar-15	25-Mar-15	27-Mar-15
01-Apr-15	08-Apr-15	10-Apr-15
15-Apr-15	22-Apr-15	24-Apr-15
29-Apr-15	06-May-15	08-May-15
13-May-15	20-May-15	22-May-15
22-Apr-15	21-May-15*	25-May-15
22-Apr-15	22-May-15*	26-May-15
22-Apr-15	25-May-15*	27-May-15
22-Apr-15	26-May-15*	28-May-15
27-May-15	03-Jun-15	05-Jun-15
10-Jun-15	17-Jun-15	22-Jun-15

\*Switch auction

## Inflation-linked bonds, auction dates

Announcement date	Auction date	Settlement date
12-Feb-15	19-Feb-15	23-Feb-15
26-Feb-15	05-Mar-15	09-Mar-15
12-Mar-15	19-Mar-15	23-Mar-15
09-Apr-15	16-Apr-15	20-Apr-15
30-Apr-15	07-May-15	11-May-15
21-May-15	28-May-15	01-Jun-15
04-Jun-15	11-Jun-15	15-Jun-15

## T-bills, auction dates

Announcement date	Auction date	Settlement date
25-Feb-15	04-Mar-15	06-Mar-15
11-Mar-15	18-Mar-15	20-Mar-15
25-Mar-15	01-Apr-15	07-Apr-15
08-Apr-15	15-Apr-15	17-Apr-15
22-Apr-15	29-Apr-15	04-May-15
05-May-15	12-May-15	15-May-15
20-May-15	27-May-15	29-May-15
03-Jun-15	10-Jun-15	12-Jun-15
17-Jun-15	24-Jun-15	26-Jun-15
24-Jun-15	01-Jul-15	03-Jul-15

## Government bonds, outstanding amounts 30 January 2015

Maturity date	Coupon %	Bond no.	SEK Million
12-Aug-15	4.50	1049	72 490
12-Jul-16	3.00	1050	53 239
12-Aug-17	3.75	1051	65 526
12-Mar-19	4.25	1052	79 300
01-Dec-20	5.00	1047	83 554
01-Jun-22	3.50	1054	67 381
13-Nov-23	1.50	1057	63 164
12-May-25	2.50	1058	59 310
01-Jun-32	2.25	1056	11 000
30-Mar-39	3.50	1053	43 750
Total government bonds			598 714

## Inflation-linked bonds, outstanding amounts 30 January 2015

Maturity date	Coupon %	Bond no.	SEK Million
01-Dec-15	3.50	3105	23 286
01-Jun-17	0.50	3107	38 555
01-Dec-20	4.00	3102	29 420
01-Jun-22	0.25	3108	28 955
01-Jun-25	1.00	3109	15 753
01-Dec-28	3.50	3104	43 310
Total Inflation-linked bonds			179 279

## T-bills, outstanding amounts 30 January 2015

Maturity date	SEK Million
18-Feb-15	20 050
18-Mar-15	36 984
15-Apr-15	20 000
17-Jun-15	20 910
Total T-bills	97 944

## Rating

Agency	Rating
Moody's	Aaa
Standard & Poor's	AAA
Fitch	AAA

Primary dealers	Nominal bonds	Inflation-linked bonds	T-bills	Telephone
Barclays	●			+44 207 773 8275
Danske Markets	●	●	●	+46 8 568 808 44
Handelsbanken Markets	●	●	●	+46 8 463 46 50
Nordea Markets	●	●	●	+45 33 3317 58 / +46 8 614 86 55
Royal Bank of Scotland	●	●	●	+46 8 506 198 76
SEB	●	●	●	+46 8 506 231 51
Swedbank	●	●	●	+46 8 700 99 00



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