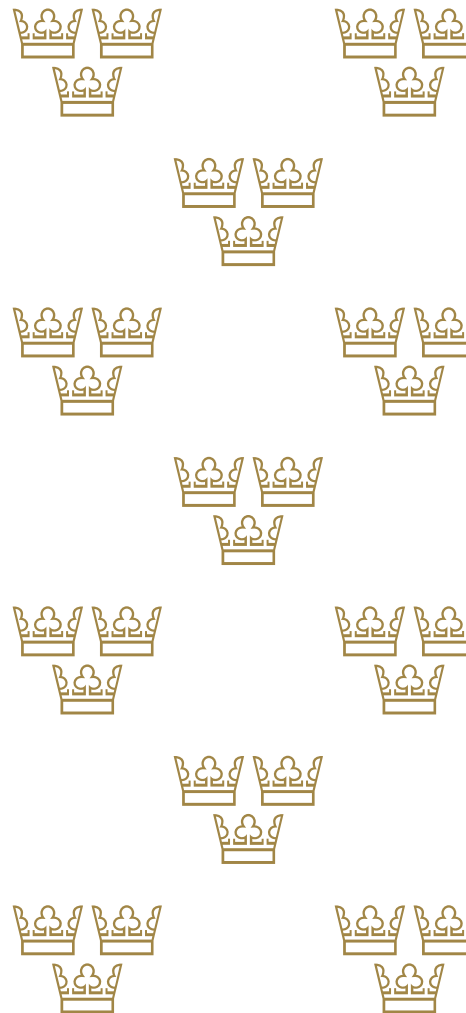


Sweden gradually increases bond supply

Central Government Borrowing – Forecast and
Analysis 2023:2

Press conference, 25 May 2023





Key points in the report

Economy

- Slowdown in Swedish economy

Budget balance

- Two years of government budget deficit

Borrowing

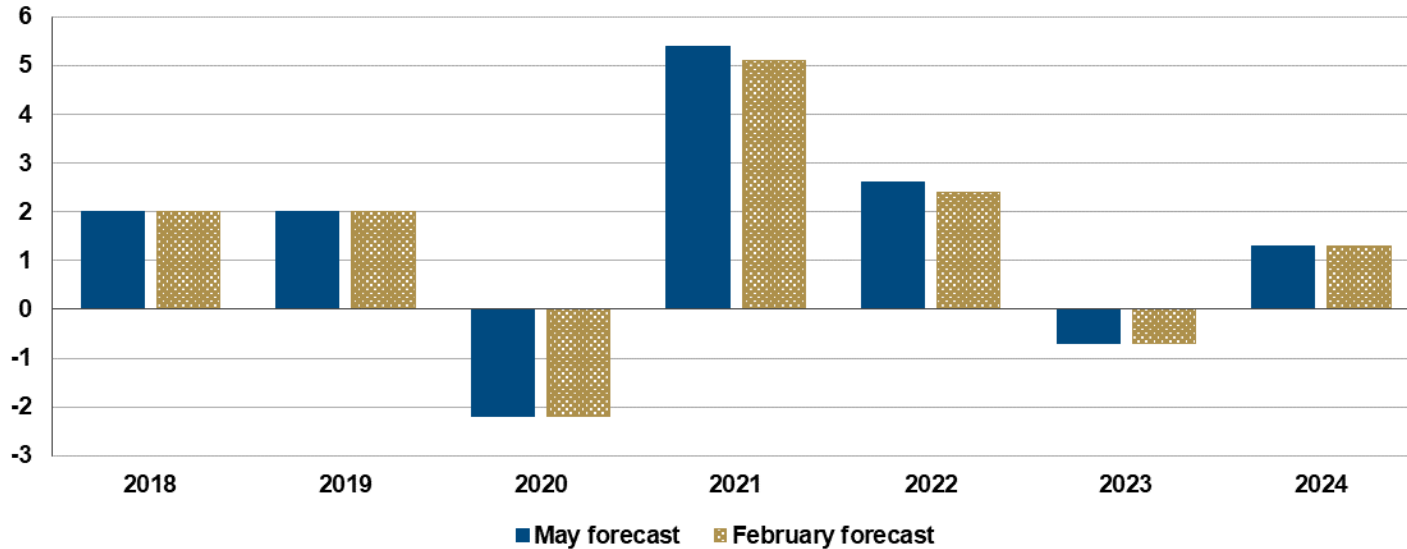
- More government bonds, less treasury bills



Slowdown in Swedish economy

GDP for Sweden

Percentage change, constant prices



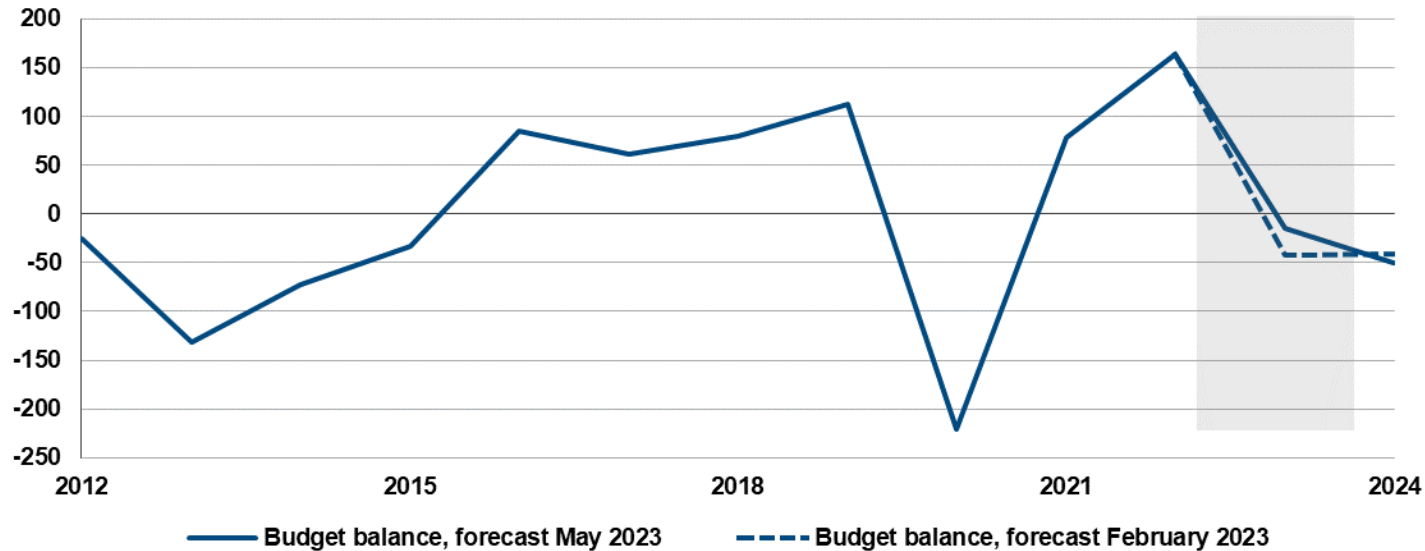
Sources: Statistics Sweden and the Debt Office



Two years with deficits

Budget balance

SEK billion

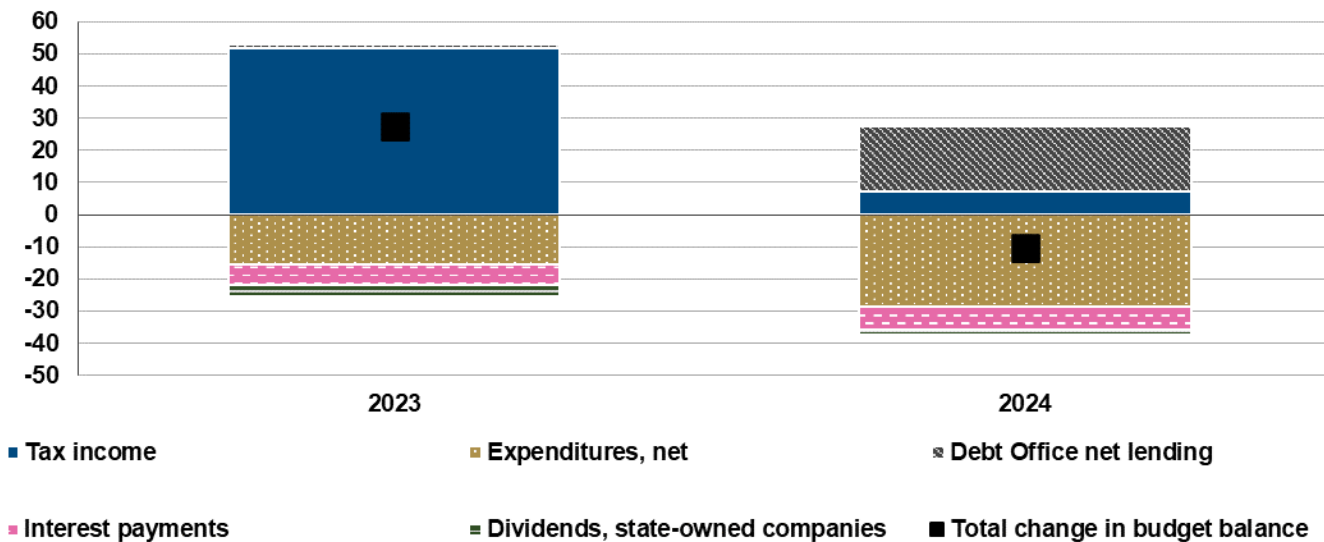




Budget balance revised down

Forecast changes, budget balance

SEK billion





Various factors of uncertainty

- Geopolitical tensions
- Inflation
- Capital contribution to Riksbank
- Placements in tax accounts
- Electricity grid congestion revenue

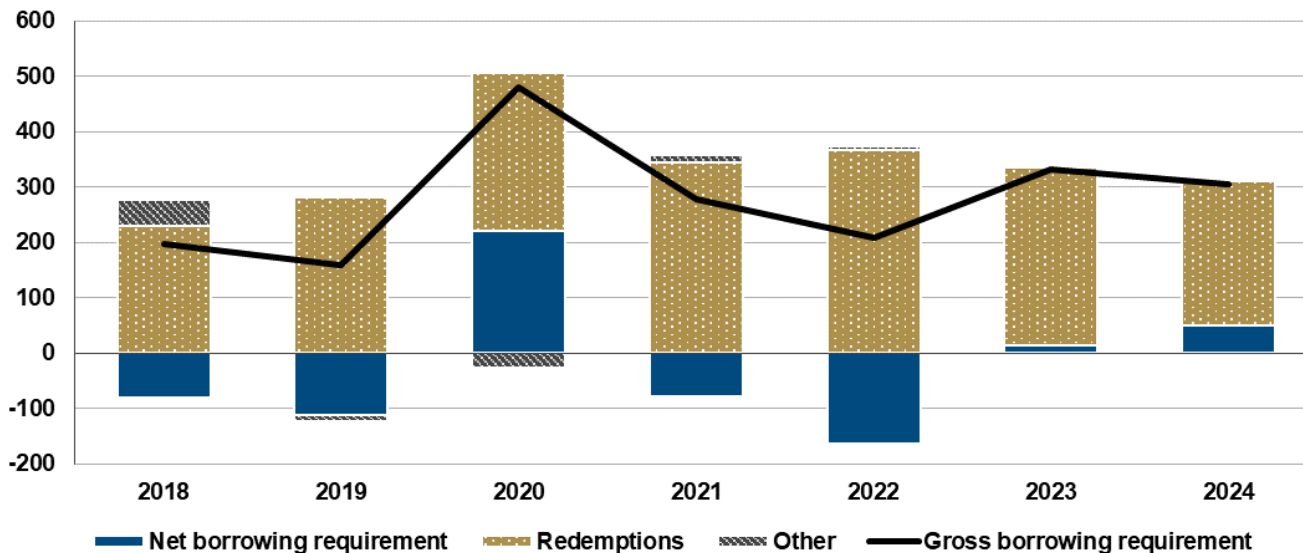




Increasing deficit but fewer redemptions

Total borrowing requirement

SEK billion



Note: The net borrowing requirement is the budget balance with the opposite sign. The post “Other” includes an adjustment due to the net borrowing requirement being reported by settlement date whereas borrowing is reported by trade date.



Funding based on guidelines and strategy

- Fiscal policy framework
- Budget Act:
 - Borrowing requirement = budget deficit + redemptions
 - The objective is to minimise the cost over the long term while taking account of risk
- Government decision:
 - Guidelines for debt management (after proposal from Debt Office)
- Debt Office decision:
 - Borrowing strategies and policies
 - Issuance plan – divided among nominal government bonds, inflation-linked bonds, green bonds, foreign-currency bonds, treasury bills, liquidity management, derivatives)



More government bonds and less T-bills

Central government funding plan

SEK billion

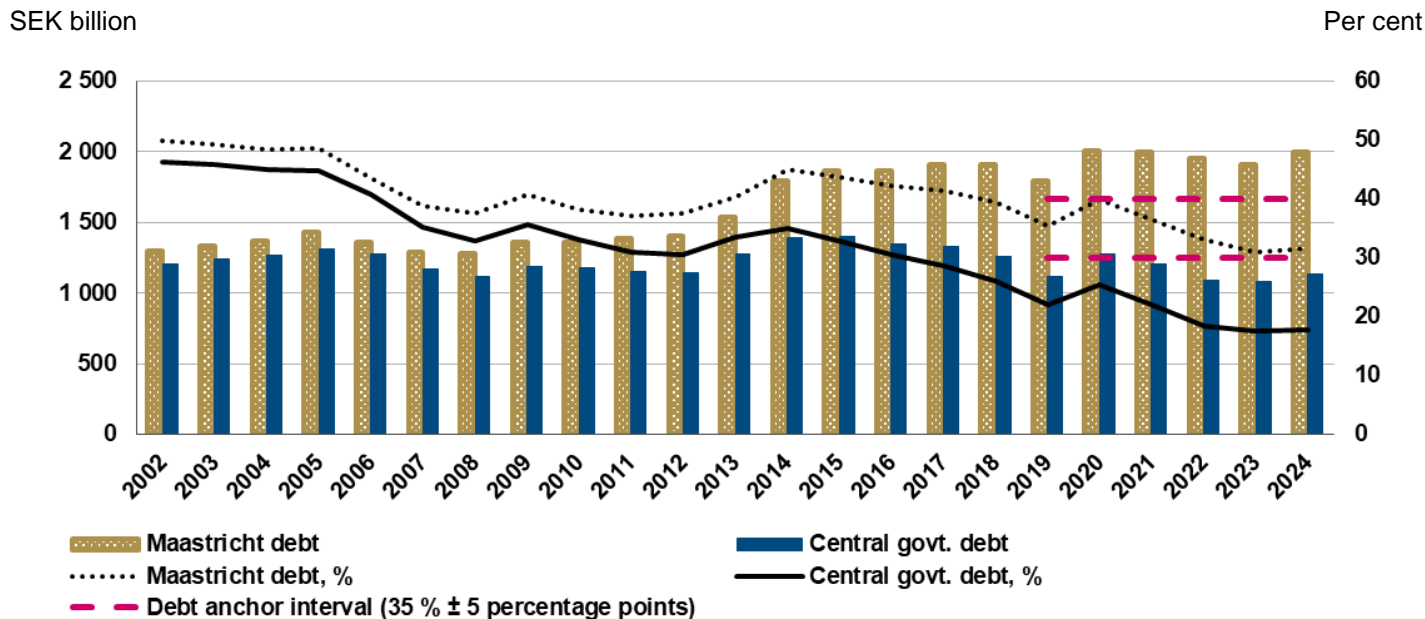
	2022	2023		2024	
	Outcome	May	(Feb)	May	(Feb)
Money market funding	154	259	(288)	237	(267)
T-bills	65	135	(158)	148	(178)
Liquidity management	89	124	(131)	90	(90)
Capital market funding	55	74	(69)	69	(59)
Nominal government bonds	46	45	(40)	60	(50)
Inflation-linked bonds	9	9	(9)	9	(9)
Green bonds	0	0	(0)	0	(0)
Foreign currency bonds	0	21	(21)	0	(0)
Total borrowing	209	333	(358)	306	(326)

Note: Borrowing per calendar year. Funding in the money market refers to the outstanding stock at year-end. Previous forecast in parentheses.



Swedish government debt remains low

General govt. and central govt. debt



Note: For the years 2023–2024, the shares are based on the Debt Office’s GDP forecast. The same applies to the Maastricht debt. Outcome data is from Statistics Sweden.

Sources: Debt Office and Statistics Sweden



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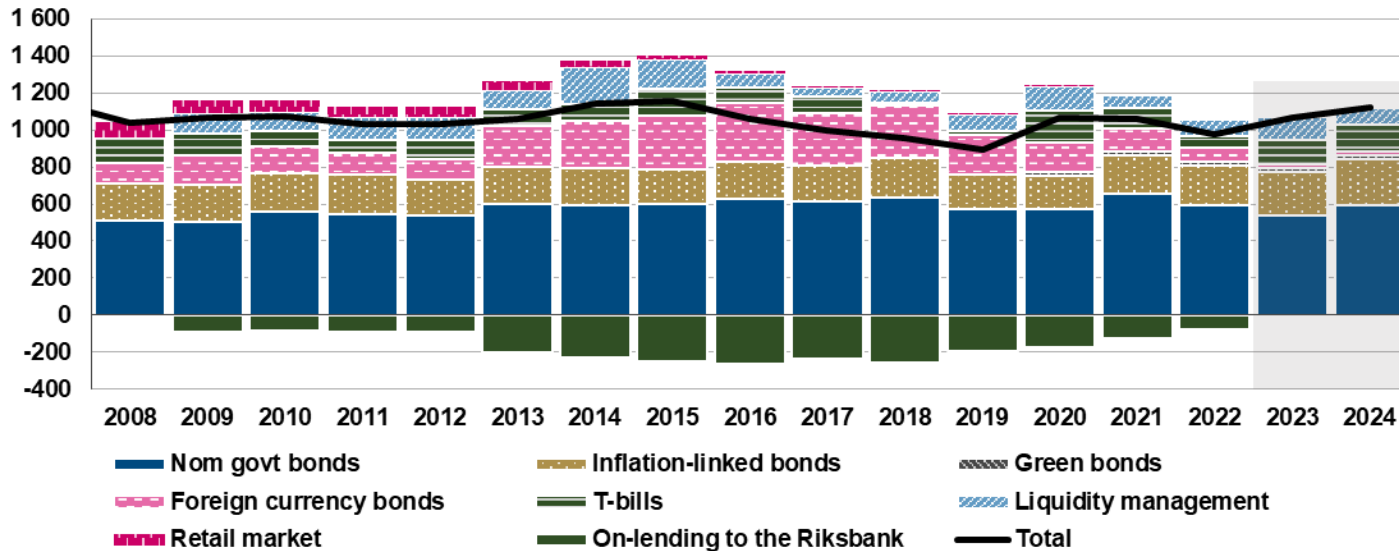




Nominal krona bonds form basis

Sweden's central government debt, by debt instrument

SEK billion



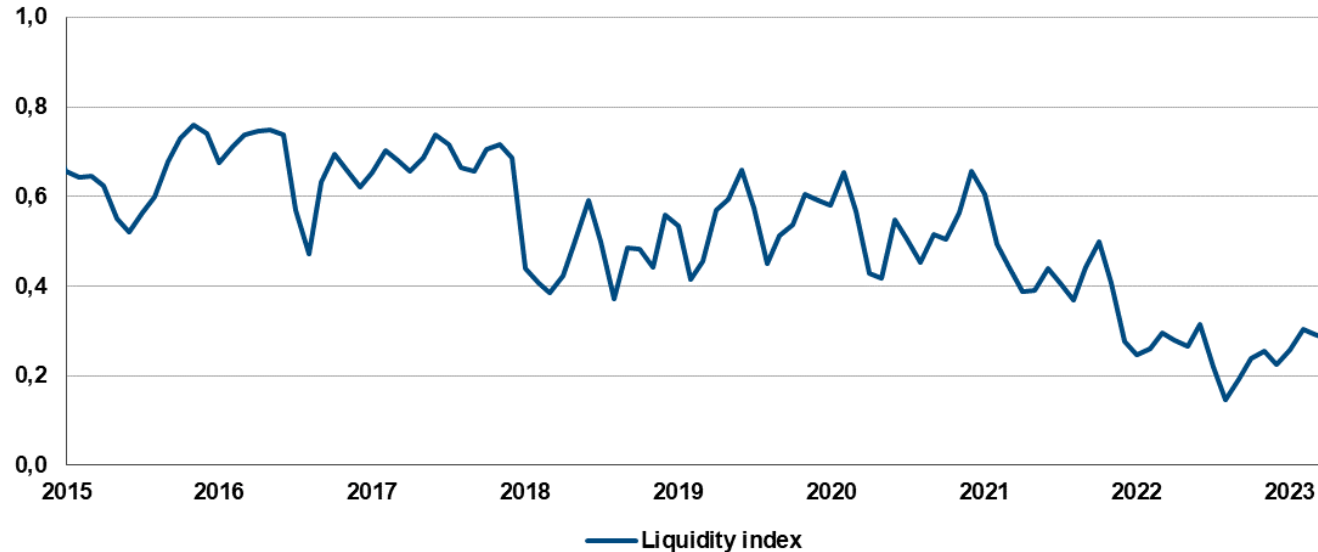
Note: Central government debt at year-end, including on-lending and assets under management.



Turnaround for market liquidity?

Liquidity index for Swedish nominal government bond market

Index



Note: Liquidity measure as an aggregation of various individual indicators for nominal government bonds with benchmark status. Higher values correspond to higher liquidity. Two-month moving average.

Source: Finansinspektionen



Market's view on inflation-linked bonds

- Responses support assessment that the market is not functioning
- Many express an interest in inflation-linked bonds...
- ... but poor market liquidity is keeping demand from materialising
- Results of survey are part of long-term analysis of debt composition
- Other countries have reached different conclusions about the role that inflation-linked bonds should have in their borrowing