

Lower budget surplus increases borrowing requirement

*Central Government Borrowing –
Forecast and Analysis 2022:3*

Press conference 27 October 2022





Key points in the report

Macro picture

- Higher inflation and rapid slowdown in the economy

Budget balance

- Lower budget surplus compared with previous forecast

Borrowing

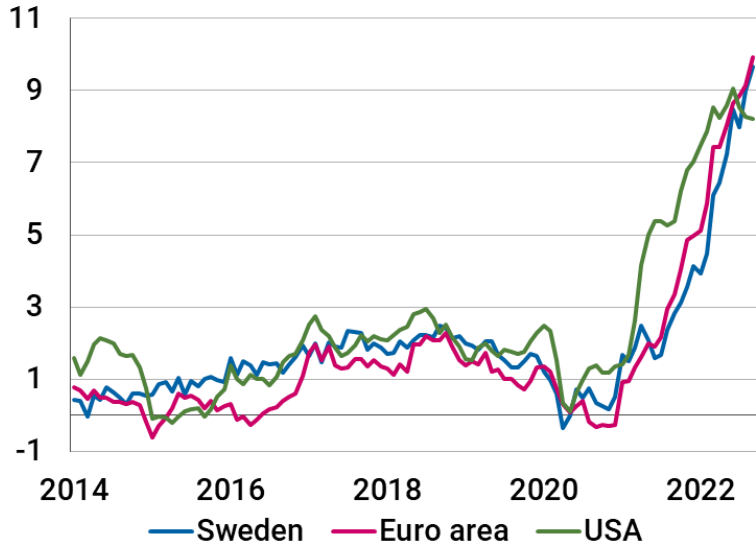
- Increased short-term borrowing



High inflation and rising interest rates

Inflation in different countries and regions

Annual percentage change

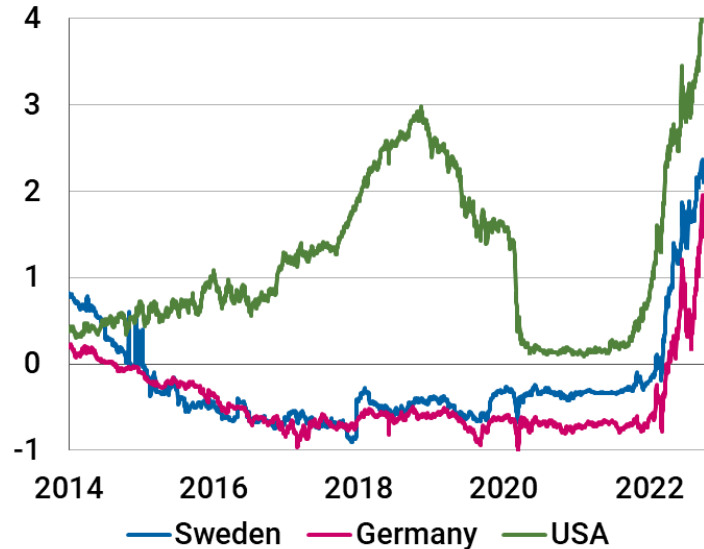


Note: CPIF for Sweden, CPI for the US, and HICP for the euro area.

Sources: Statistics Sweden, Eurostat, and the Bureau of Labour Statistics.

Yields on 2-year government bonds

Per cent



Source: Macrobond

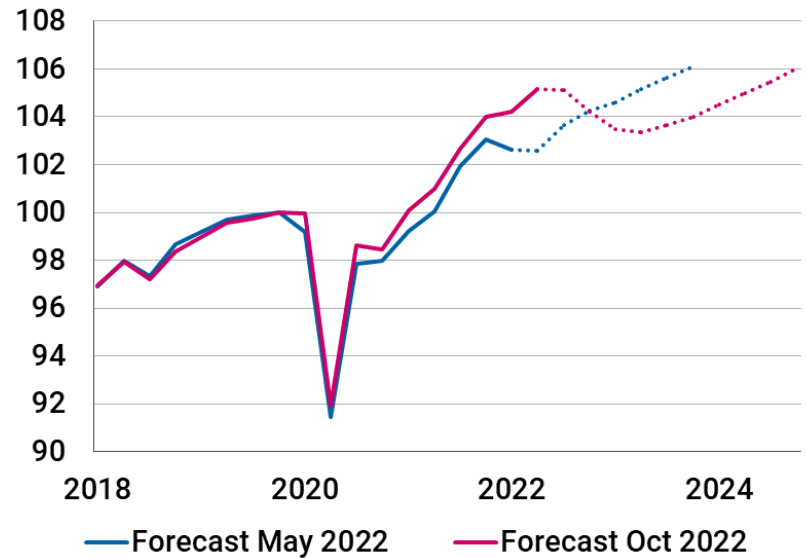


Rapid slowdown in the Swedish economy

- Recession in 2023
- Consumers are facing a perfect storm
- Investment and export are falling

GDP in levels

Index 2019:4 = 100, constant prices



Note: Dotted lines are forecasts.

Sources: Macrobond and the Debt Office..

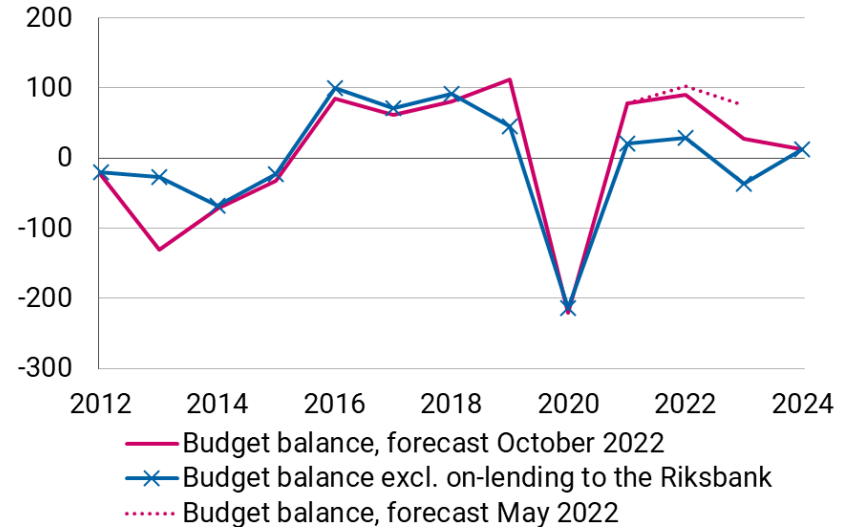


Central government budget surplus decreases

- Slowdown in the Swedish economy next year
- Capital placements in tax accounts decrease
- Debt Office net lending causes fluctuations in the budget balance

Budget balance

SEK billion



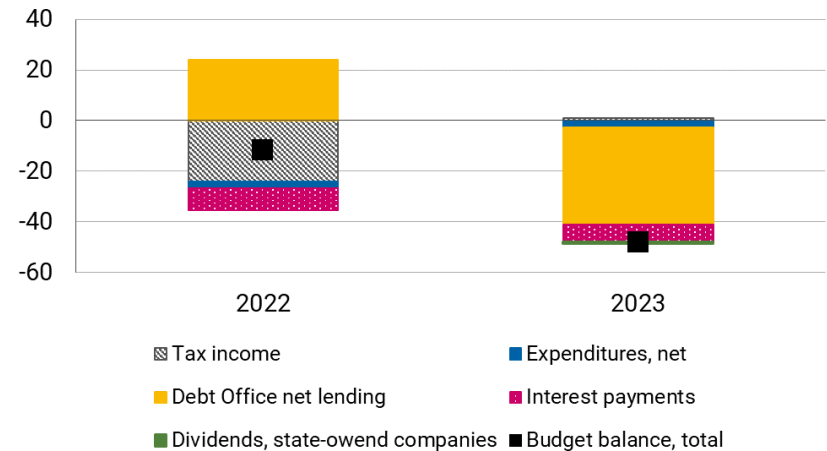


Budget surplus revised down

- Lower income from taxes
- Temporary factors
- Higher interest payments on central government debt

Forecast changes, budget balance

SEK billion





Various uncertainty factors

- War in Ukraine
- Inflation and interest rates
- Tax accounts and measures pertaining to the high electricity price





Issuance plan – how much and how

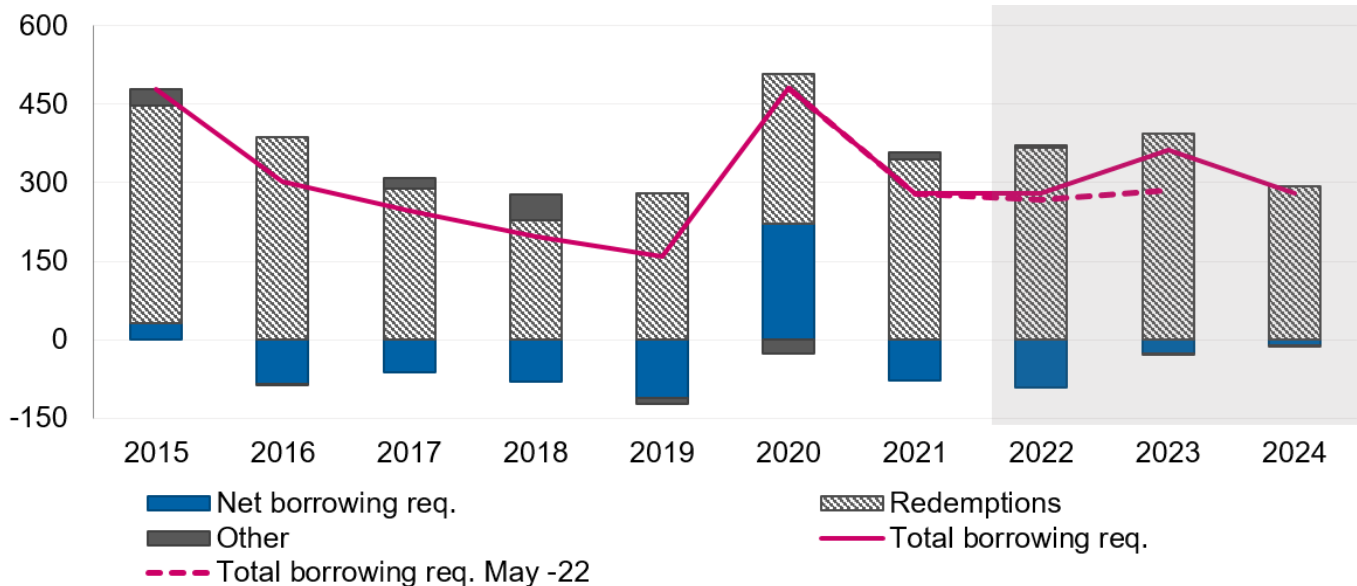
- Fiscal policy framework
- Budget Act:
 - Borrowing requirement = budget deficit + redemptions
 - The objective is to minimise the cost over the long term while taking account of risk
- Government decision:
 - Guidelines for debt management (after proposal from Debt Office)
- Debt Office decision:
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



Larger borrowing requirement next year

Total borrowing requirement

SEK billion



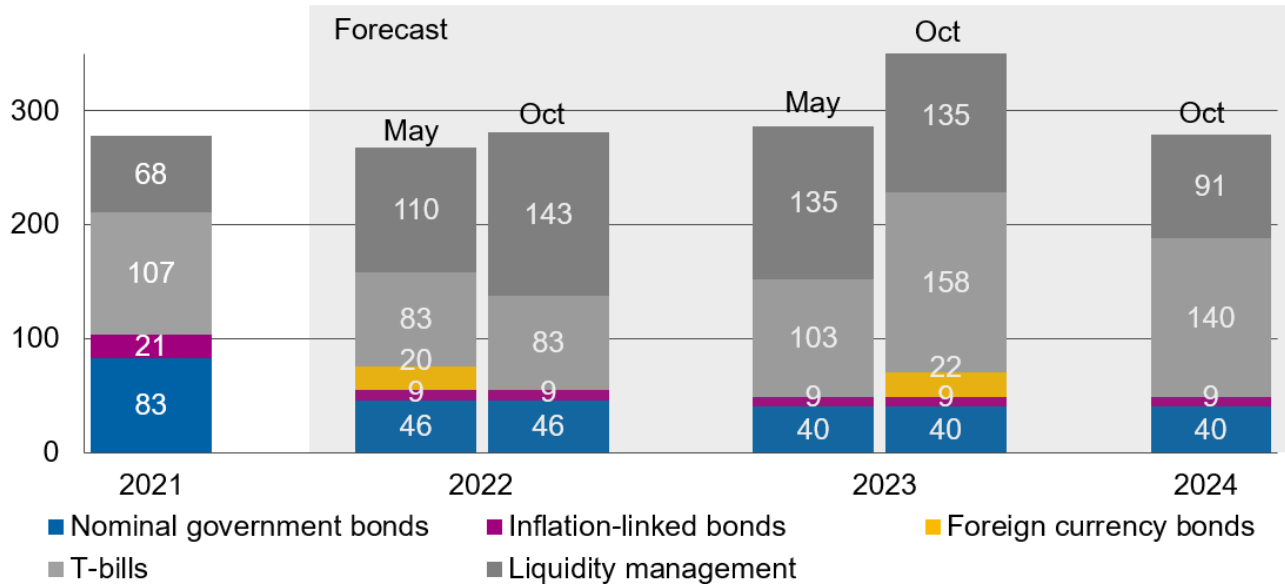
Note: Net borrowing requirement is the budget balance with the opposite sign. The post "Other" includes an adjustment due to the net borrowing requirement being reported by settlement date whereas borrowing is reported by trade date.



More T-bills and other short-term loans

Annual issuance volumes compared with previous forecast

SEK billion

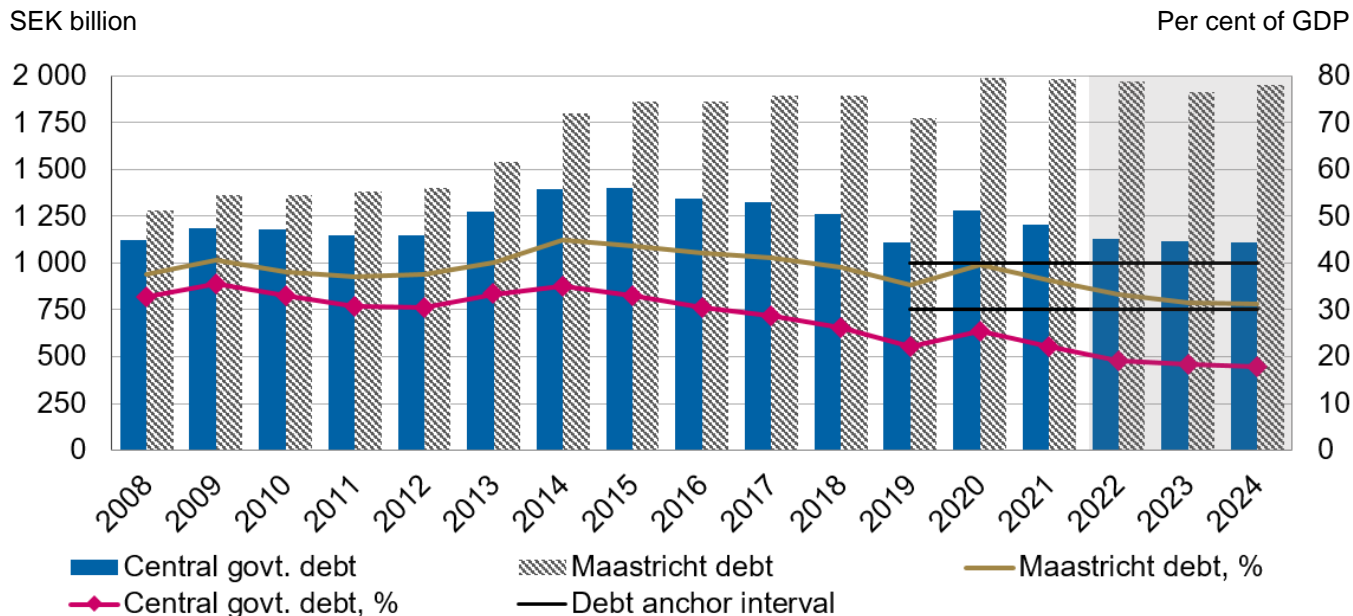


Note: Borrowing per year. The amount for treasury bills and liquidity management refers to outstanding stock at year-end.



Government debt falls at a slower pace

Central government and public debt development



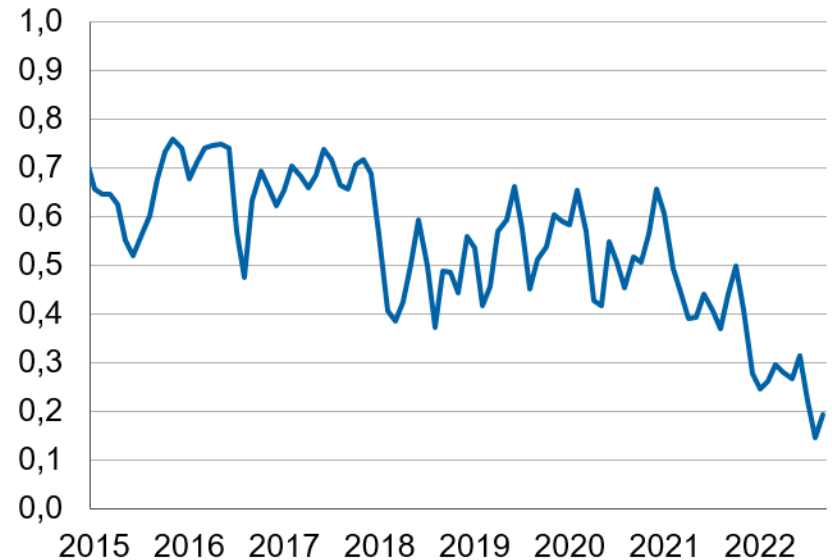
Sources: Statistics Sweden and the Debt Office



Deteriorated market liquidity

- May lead to higher borrowing costs over time
- Weakens resilience in the financial system
- Debt Office supports market liquidity in various ways

Liquidity index for secondary market



Note: Liquidity measure as an aggregation of indicators for Swedish nominal government benchmark bonds. A higher value means higher liquidity. Two-month moving average.

Source: Finansinspektionen



Ready to increase borrowing if needed



Highest credit rating



Several funding channels



Low government debt



Well-established issuer