RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

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Central government borrowing

Forecast and analysis 2024:1

Reg.no RG 2024/124

The Debt Office's assignment

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 over time while taking account of risk.

In Central Government Borrowing – Forecast and Analysis, published three times a year, the Debt Office presents forecasts for the macroeconomic development and the central government finances in the coming two years. On the basis of these forecasts, the Debt Office calculates the borrowing requirement and sets up a borrowing plan that is also included in the report. The Debt Office borrows to cover deficits in the central government budget (the net borrowing requirement) and to repay maturing loans.

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

Preface

In Central Government Borrowing – Forecast and Analysis 2024:1, the Debt Office presents forecasts for central government finances and borrowing for 2024–2025. An assessment of the macroeconomic development is provided in the first section. The next section presents forecasts for the budget balance and the underlying analysis. These forecasts serve as the basis for the borrowing plan, which is discussed in the last section of the report.

The report takes into account developments up to 8 February 2024.

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Debt Office Director General

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Summary

After three consecutive years of a budget surplus for the Swedish central government, the Debt Office expects a deficit for this year and the next. That entails an increase in the central government debt, from a low level. As the borrowing requirement grows, the Debt Office is gradually increasing the issuance volume of government bonds.

The Debt Office is raising the issuance volume of nominal government bonds from SEK 3 billion to SEK 3.5 billion per auction starting in March this year, then further to SEK 4 billion as of August. This means that the annual issuance volume for 2025 will be SEK 80 billion.

The new forecast for the budget balance shows a deficit of SEK 84 billion in 2024 and SEK 50 billion in 2025. The deficit this year is due among other things to an assumption of a capital contribution of SEK 40 billion to the Riksbank, but also to other spending going up and slow economic growth.

The Debt Office expects the Swedish economy to grow by 0.5 per cent this year and unemployment to rise. Next year looks brighter with a stronger labour market and GDP growth of over 2 per cent, contributing positively to the budget balance.

The budget deficit entails that the central government debt will reach 18 per cent of GDP by the end of 2025. This is still a low level both historically and internationally. The general government debt is expected be 33 per cent of GDP.

Table 1 Central government borrowing

SEK billion

Debt instrument	New forecast 2024	23:3 2024	New forecast 2025	23:3 2025
Nominal government bonds	73	60	80	60
Inflation-linked bonds	9	9	9	9
T-bills, stock at year-end	148	128	158	158
Foreign currency bonds	21	22	21	22

Note: 23:3 refers to the previous forecast.

Table 2 Central government finances

SEK billion, unless otherwise stated

Key figure	New forecast 2024	23:3 2024	New forecast 2025	23:3 2025
Budget balance	-84	-49	-50	-60
Central govt. debt	1,132	1,088	1,174	1,141
Central govt. debt (% of GDP)	18	17	18	17
General govt. debt (% of GDP	33	32	33	32

Note: 23:3 refers to the previous forecast.

Table 3 Swedish economy

Annual percentage change, unless otherwise stated

Key figure	New forecast 2024	23:3 2024	New forecast 2025	23:3 2025
GDP growth	0.5	0.2	2.3	2.0
Unemployment (% of labour force)	8.4	8.3	8.3	8.2
CPIF inflation	1.7	2.5	1.7	1.8

Note: 23:3 refers to the previous forecast.

Weak economy gradually improves

The Swedish economy remains weak this year and unemployment rises. Next year sees an improvement in growth driven mainly by household consumption. Altogether, the Debt Office's revisions to the macro picture have an adverse effect on the forecast of the central government budget balance for 2024 and a positive effect for 2025.

The Swedish economy grows slowly this year. Household consumption and investment in housing continue to decrease during the spring. The labour market has also deteriorated and unemployment continues to rise this year. At the same time, inflation is on the decline, which helps household consumption stabilise and begin to recover. The recovery gradually gains traction – and, driven by domestic demand, real GDP next year grows in line with historical averages.

The biggest factors affecting the budget balance are consumption, investment in current prices, and payroll. The revisions to these have an adverse effect on the central government budget balance this year, due to household consumption being revised down. For 2025, the overall effect is positive.

Low growth in US and euro area

As with the Swedish economy, the economy in the euro area develops poorly in the near term. In the US, the economic progression has once again been stronger than expected, but growth slows in 2024.

GDP growth was 2.5 per cent in the US for 2023, after a strong end to the year. This was due to among other things solid growth of investment and consumption. In the euro area, activity has subsided and preliminary GDP figures show growth of 0.5 per cent for last year. Among the larger countries, not least Germany (which is dependent on export) has seen weak development.

Inflation has continued to go down in both the US and euro area and is returning to the central banks' inflation targets. This has resulted in reversing the increase in yields for bonds with long maturities that occurred last autumn. Markets are now pricing significantly lower policy rates from both the Federal reserve (Fed) and the European Central Bank (ECB) already in 2024. For the ECB, both lower inflation and the weak growth indicate a need for interest-rate cuts.

The US economy has so far shown few signs of weakness. Despite high inflation and interest rates, households have increased consumption. The labour market has been resilient to the rate increases, and companies have maintained high profit levels. A contributing factor to these developments could be large fiscal policy stimulus measures. At the same time, it is likely that the full economic impact of the higher interest rates has yet to materialise. GDP growth slows in 2024, to then pick up speed somewhat in 2025. Growth in both years is lower than the historical average.

In the euro area, growth is also low in 2024 to then reach just above the historical average in 2025. Forward-looking indicators, such as consumer confidence and purchasing managers' indices neither point to a prompt improvement in growth nor an impending deterioration. In pace with inflation and interest rates going down while the labour market remains strong, consumer purchasing power gradually improves over the forecast period. Increased demand internationally also leads to rising export and investment.

Table 4 International forecasts

Percentage change

GDP	New forecast 2023	23:3 2023	New forecast 2024	23:3 2024	New forecast 2025	23:3 2025
Euro area	0.5	0.5	0.6	0.8	1.7	1.7
US	2.5	2.1	1.4	1.1	1.6	1.6

Note: 23:3 refers to the previous forecast. The forecasts for the euro area and US are from the National Institute of Economic Research (NIER).

Sources: National Institute of Economic Research, Eurostat and BEA

Swedish GDP rises slightly this year

In recent years, the Swedish economy has developed worse than that of the US and euro area. Swedish GDP decreased in both the second and third quarters of 2023 but grew slightly in the fourth quarter according to preliminary figures. Altogether, the Debt Office expects a decline in GDP for 2023, a faint rise for this year, and an increase for next year in line with the historical average (see Table 5). Compared with the previous forecast, we have revised up growth. For 2023, the change in the forecast is entirely due to revisions going back in time.

The high indebtedness of households with a large proportion of variable mortgage rates has meant that the rate hikes have had a major impact on the Swedish economy. Household consumption has developed weakly since the beginning of 2022, and housing investment has fallen sharply. Household consumption remains weak for some time to come, as does investment in housing. In industry as well, which has thus far been resilient, investment is dampened in 2024. Nevertheless, public consumption grows above the historical average and helps to keep domestic demand up. Last year, historically large contributions from foreign trade mitigated the downturn in the Swedish economy, and foreign trade is expected to make significantly positive net contributions this year too.

In the coming years, the annual average of inflation is expected to land roughly in line with, or just below, the Riksbank's inflation target of 2 per cent. The lower inflation creates the conditions for falling interest rates and real income to begin to rise again after the drop in recent years. This lays the foundation for domestic demand to drive growth next year.

A continued gradual improvement in indicators that measure the mood of the economy is consistent with the Debt Office's growth picture. The National Institute of Economic Research's (NIER) Economic Tendency Survey rose sharply in January, thereby breaking the weaker trend since our previous forecast. Consumer confidence rose by 7.5 index points, which is the largest monthly increase in the history of the series. The Economic Tendency Survey is now at a slightly higher level than in the previous Central Government Borrowing Report. Yet, despite the increase, the mood remains at levels that historically coincide with declining GDP.

Table 5 GDP and its components in constant prices, forecast

Percentage change

GDP and its components	New forecast 2023	23:3 2023	New forecast 2024	23:3 2024	New forecast 2025	23:3 2025
GDP	-0.3	-0.8	0.5	0.2	2.3	2.0
Household consumption	-2.5	-2.1	0.6	0.7	2.5	2.0
General govt. consumption	2.0	1.9	1.5	1.5	1.5	1.0
Gross fixed cap. formation	-1.5	-2.7	-3.0	-2.5	3.0	3.3
Changes in inventories*	-1.2	-0.4	-0.2	0.0	0.1	0.1
Exports	2.4	1.8	2.0	2.0	3.6	3.9
Imports	-1.1	0.3	0.5	1.7	4.0	4.3
Net exports*	1.9	0.8	0.8	0.2	0.0	0.2
GDP (calendar-adjusted)	-0.1	-0.6	0.5	0.2	2.4	2.3

Note: 23:3 refers to the previous forecast. *Contribution to GDP growth, percentage points.

Sources: Statistics Sweden and the Debt Office

Revisions weaken budget balance 2024

While the real picture holds up well, the price picture has changed (see the section on inflation) all the more compared with our forecast last autumn. This has a bearing on the various components of GDP in current prices. The budget balance, which is described in Chapter 2 is mainly affected by household consumption and investment (gross fixed capital formation). These are crucial to the central government's income from taxes, because they affect VAT and excise duties.

Altogether, the revisions to household consumption and investment in current prices have an adverse effect on the budget balance this year, as a result of the downward revision of household consumption in current prices (see Table 6). For 2025, the overall picture is one in which the revisions have a positive effect on the budget balance.

Table 6 GDP and its components in current prices, forecast

Percentage change

GDP and its components	New forecast 2023	23:3 2023	New forecast 2024	23:3 2024	New forecast 2025	23:3 2025
GDP	5.3	4.5	2.4	2.5	3.6	3.0
Household consumption	3.8	4.3	2.3	3.2	4.2	3.8
General govt. consumption	10.1	9.5	2.9	3.9	4.0	4.1
Gross fixed cap. formation	3.6	1.9	-2.0	-2.3	3.0	4.5
Changes in inventories[1]	-1.8	-0.8	0.4	0.4	0.0	-0.9
Exports	7.7	7.1	-0.3	2.1	1.5	3.1
Imports	4.3	6.5	-1.9	1.7	1.7	3.3

Note: 23:3 refers to the previous forecast. *Contribution to GDP growth, percentage points.

Sources: Statistics Sweden and the Debt Office

Dampened consumption for some time to come

Households have now reduced consumption in volume for six of the last seven quarters, and the Debt Office expects a continued weak trend in the near future. Later this year and in 2025, the outlook is brighter.

Rapidly rising prices and growing interest expenses have eroded purchasing power. Since mid-2022 through the third quarter of 2023, consumption fell by 4 per cent in volume. The downturn was on par with the recessions of the 1980s and 1990s. One important explanation for the drop is the combination of high indebtedness and short fixed-interest periods. Households are more sensitive to interest rates than in previous periods of contractionary monetary policy. The decline has at the same time been mitigated by the resilience of the labour market and households cutting back on saving to maintain consumption.

Consumption remains weak in coming quarters. Consumer confidence rose sharply in January but is nonetheless still below the bottom levels recorded during the financial crisis and the pandemic.

In recent years, the prospects for consumption have been brighter. Inflation is decreasing, which in combination with a higher rate of wage growth strengthens purchasing power. Real incomes are rising again after the major drops in the previous year. This means that real consumption is growing gradually faster at the same time as households are starting to build up their savings again. Measured as an annual average, growth of household consumption in volume is nevertheless modest this year. Next year, the volume of consumption grows in line with historical averages.

Sharp decrease in housing investment

The sharp drop in housing investment continues. Investment started to fall in the third quarter of 2022 with still no signs of subsiding. High construction- and financing costs along with weak housing prices is putting pressure on construction companies, and the number of newly started construction projects fell by more than 60 per cent at an annual rate in the third quarter. Historical connections between the number of newly started construction projects and investment in housing indicate that housing investment will continue to decrease at least in the first half of 2024. According to our forecast, not until 2025 does housing investment start to slowly increase.

Altogether, total investment in volume increases this year and decreases next year. In addition to housing investment falling, service providers have also cut down on investments, and indicators show that they have a pessimistic future outlook. Investment in industry, which has increased steadily in recent years aided in part by the green transition and a weak krona, is an exception. According to the Economic Tendency Survey, the mood within the manufacturing industry is at normal levels, thus showing greater resiliency than other sectors. At the same time, the strong trend in public investment continues, to which increased defence initiatives contribute.

Dampened export ahead

Foreign trade was a major contributor to GDP last year. Export resisted the slowdown in global demand well, especially in the second half of the year, while import fell simultaneously.

This year too, foreign trade makes a considerable contribution to GDP, despite the reduced export growth. The Economic Tendency Survey indicates weak order intake. Driven by a weaker economy in the euro area, demand in Sweden's most important export markets becomes slightly lower than in our previous assessment. The stronger krona also suggests lower export than we previously expected.

The way in which export value develops has a bearing on corporate tax. Measured in current prices, export increased in 2022 at the fastest rate in 50 years. Last year as well, the value of export increased distinctly above historical averages. Both this year and the next, however, the value of export is expected to be lower than in our assessment from October, mainly because export prices are expected to decrease.

Inflation continues to go down relatively fast

Inflation continues to abate. After the peak of over 10 per cent in December 2022, CPIF inflation was just above the inflation target in December 2023. In January, inflation was temporarily higher again as a result of adverse base effects, whereas there has been much to indicate a continuing decline in CPIF inflation since then.

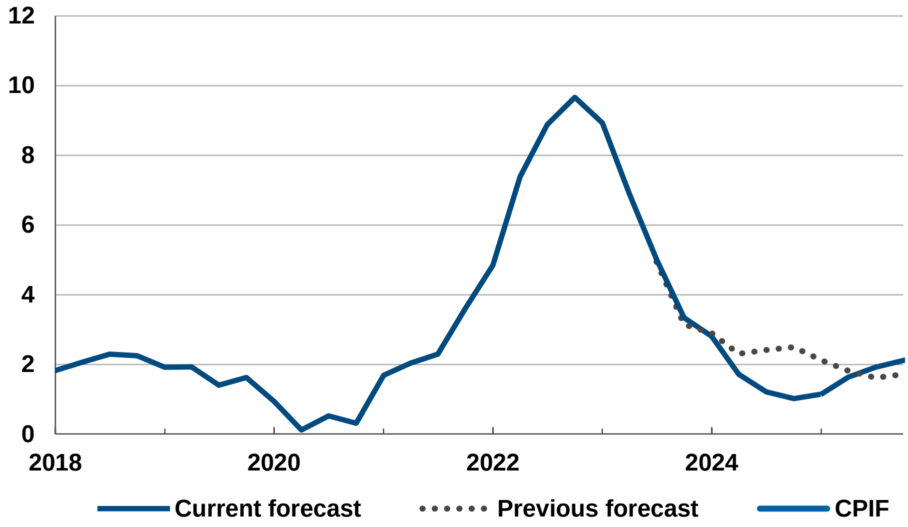
The factors that drove up inflation after the pandemic contribute to declining inflation in 2024. Besides energy, other drivers of the upswing have also tapered off or have moved in the opposite direction, such as global agriculture- and food prices. Swedish producer prices, which rose rapidly and closely correlated with consumer prices in recent years, have gone down. The stronger krona since the previous forecast also contributes to lower price increases and is an important reason for the Debt Office's choice to revise down the inflation forecast (see Figure

1). The contractionary monetary policy in Sweden and internationally contributes as well to dampening demand and inflationary pressure.

Core inflation (CPIF excluding energy) also went down over the autumn, but it remains well above the Riksbank's inflation target. At the same time, price changes calculated over shorter periods show that core inflation is increasing at a rate close to or even below the inflation target. This affects the inflation dynamics and indicates that CPIF will be low even once the aid of the favourable base effects ceases. Compared with the October forecast, we have revised down CPIF by close to one percentage point this year. Measured as an annual average, CPIF inflation according to our forecast will be 1.7 per cent for both this year and next year.

Figure 1 CPIF inflation abates

Annual percentage change



Sources: Statistics Sweden and the Debt Office

Deterioration of the labour market has arrived

Despite many factors having long pointed to a deterioration of the labour market, the economic impact has not been distinct until now. Employment is falling and unemployment rising. The Debt Office assesses that this development will continue this year and then turn around next year in pace with more rapid growth of the economy. The trend for payroll is weak this year and weighed down by a decrease in the number of hours worked. Next year, the rate of payroll growth will increase again (see Table 7).

Table 7 Labour market and wages

Percentage change

	Outcome 2022	New forecast 2023	23:3 2023	New forecast 2024	23:3 2024	New forecast 2025	23:3 2025
Unemployment[1]	7.5	7.7	7.6	8.4	8.3	8.3	8.2
Employment	3.1	1.4	1.5	-0.5	-0.4	0.7	0.5
Labour force	1.5	1.6	1.6	0.3	0.3	0.6	0.4
Payroll	6.4	5.1	5.0	3.5	3.5	4.7	4.3
Hourly wage, NA	3.9	3.4	3.1	3.6	3.9	3.4	3.5
Hours worked[2]	2.3	1.5	1.8	-0.1	-0.3	1.2	0.7

Note: 23:3 refers to the previous forecast.

[1] Per cent of the labour force.

[2] Calendar-adjusted values.

Source: Statistics Sweden, NIER, and the Debt Office

Weaker labour market in line with expectations

The labour market has largely developed in line with the assessments from October. Even then the labour market showed signs of becoming weaker, but a degree of uncertainty remained considering that it had repeatedly demonstrated great resilience to the economic slowdown.

Clearly, there is much to indicate that the labour market will continue to deteriorate this year. The economy is growing slowly, and an aggregate picture from forward-looking indicators also points in this direction. Employment plans according to the Economic Tendency Survey have been down and shifted to levels below zero. Negative numbers indicate that companies will be letting go of employees in the near future. In recent months, the number of notices of layoff have increased to slightly higher levels than the historical average, and the number of job vacancies and available positions are lower than in October.

It is clear that the labour market is deteriorating, but we do not see this becoming either deep or protracted compared with previous periods of rising unemployment. Nor is this the case when compared with the economic trend. Until recently, there was a significant shortage of labour in many industries, which has helped keep up the demand for labour. Although the declining economic activity contributes to the labour shortage now reaching normal levels, there will likely be a distinct shortage again when the economy grows.

Employment drops from high levels

Employment has fallen for two consecutive quarters. So far, it is decreasing relatively slowly, having been at a record-high level in the first half of 2023. The trend of falling employment has been most evident among those with employment that is limited to a certain period, which have decreased since the middle of 2022. A reduced amount of these temporarily employed is often one of the first signs of a weakened labour market, which with a lag eventually spills over to the permanently employed. Recently, there has been a glimpse of a break in this trend among the permanently employed as well.

The weak economic trend during the beginning of 2024 causes employment to continue to decline. As we approach next year, employment starts to rise at a moderate pace when the economy gains strength (see Table 7).

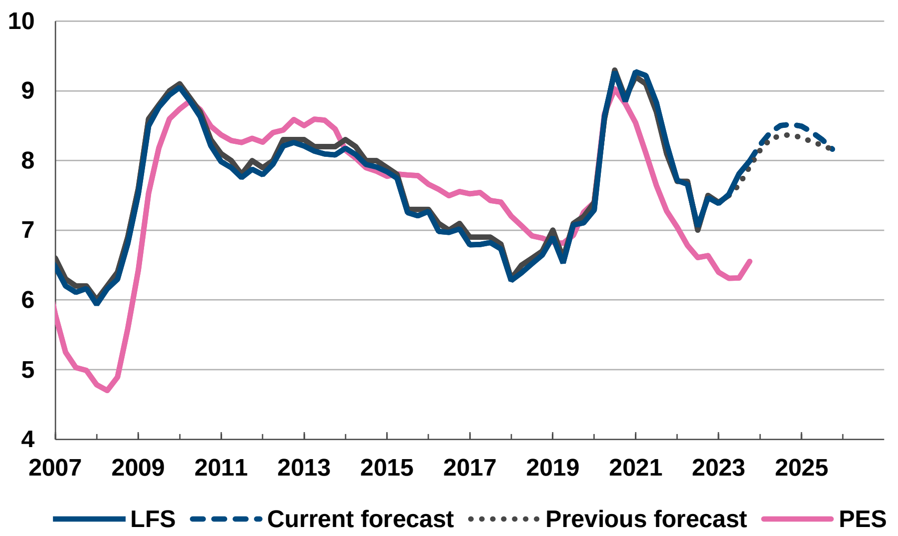
Unemployment rises this year

Recently, unemployment has risen, although at a slower pace than during the pandemic or financial crisis. Unemployment according to the Labour Force Survey (LFS) has risen over the last three quarters. The Swedish Public Employment Agency's measurement of unemployment is also rising and has done so since August. The changes are occurring from relatively low levels, particularly according to statistics from the Swedish Public Employment Agency.

In our assessment, unemployment will continue to rise over the year. Towards the end of the year, the increase tapers off, and next year unemployment decreases and employment goes up. Nevertheless, unemployment does not manage to drop during the forecast to its current levels (see Table 7and Figure 2).

Figure 2 Unemployment

Per cent of labour force, 15–74 years and 16–65 years, respectively



Note: Quarterly and seasonally adjusted data. LFS is the Labour Force Survey and PES is the Swedish Public Employment Service. The outcome in an unbroken line has been revised by Statistics Sweden (LFS) since October. Updated linking has been done in regard to the time-series break for the new framework law in the LFS for the time period before 2021. As of 2021 as well, corrections have been made to the statistics.

Sources: The Swedish Public Employment Service, the Debt Office, and Statistics Sweden

Slower payroll growth

Payroll has begun to grow more slowly after a few strong years during the recovery from the pandemic. This development continues this year as payroll grows just below the historical average. Growth picks up again in 2025.

What determines the rate of growth is the change in the number of hours worked and the average hourly wage. In the forecast, the trend for the number of hours worked is the main factor affecting the rate of payroll growth. The number of hours worked decrease this year but will start to recover the next. Hourly wages will continue to grow significantly from a historical perspective during the entire forecast, preventing payroll growth from slowing down.

The forecast for the payroll trend is revised up slightly for 2025. That affects the central government budget balance through a larger base for tax income. The revision can be attributed to the number of hours worked being revised up. This is in line with a slightly more positive picture of GDP growth. Hourly wages are revised down somewhat as a weakened labour market provides wage earners with less room for negotiation.

Facts

Differences between measures of hourly wage trend

For payroll growth, the trend for hourly wages in the National Accounts (NA) is that which is significant. This adheres closely to the hourly wage trend according to the National Mediation Office's short-term wage statistics but can deviate from it in individual years. In the NA, hourly wages are calculated as the ratio of payroll and the number of hours worked.

During the pandemic, the number of hours worked dropped more than employment as a result of among other things a high level of sick-leave absence. This caused hourly wages to rise faster in the NA than in the short-term wage statistics. The average working time continues to be low, and we forecast a degree of normalisation. In contrast to the pandemic years, this causes hourly wages according to the NA to grow somewhat slower than the short-term wage statistics in the forecast.

Predominantly downside risks

Our assessment is that there are predominantly downside risks in regard to the economic progression. The world's central banks have raised interest rates at a historically rapid pace in recent years. Although central banks are now signalling that the next step may be rate cuts, there is a risk that we could underestimate the delayed effects of the higher interest rates. This is particularly true for Sweden, since Swedish households' sensitivity to interest rate fluctuations is high. If this is the case, the economy may deteriorate even further.

The likelihood of a positive scenario in the labour market has decreased now that the deterioration has materialised. The risk of a more negative scenario remains, however, if the economic improvement is postponed and companies reach a point when it will be costly to continue to keep a large portion of their staff dormant.

Since 2021, Swedish households have cut back substantially on saving. Now as households' real incomes have begun to rise, they can start saving again. The saving patterns of households remain uncertain, though, and could lead to consumption growing either faster or slower than in our forecast.

Geopolitical tensions are high, and a more intense geopolitical crisis in, for instance, the Middle East could result in upside risks for inflation and downside risks for growth via international trade and significantly higher prices for commodities and freight. Inflation could, however, be lower than we expect, for example if parts of the recent years' sharp upswing in the prices of food and goods is reversed.

China's economy is difficult to assess, but it is clear that there are risks associated with its real estate sector, which constitutes a significant portion of the country's economy. The fact that consumer prices are falling also indicates that demand is weak. Given its size, an abrupt slowdown in the Chinese economy could dampen the entire global economy.

Lower budget balance this year

The central government budget balance becomes weaker this year, and the Debt Office now expects a larger deficit for 2024 than in the previous forecast. This is mainly due to an assumption that the central government will make a capital contribution to the Riksbank. Next year, the deficit decreases as the economy improves.

The Debt Office expects a relatively large budget deficit for 2024 (see Table 8). The weak economy leads to essentially no overall movement in the central government's income from taxes compared with last year, while spending within areas such as defence and education increases. The forecast for this year also contains an assumption of a capital contribution of SEK 40 billion from the central government to the Riksbank.

In 2025, an economic recovery helps tax income grow at a good pace as expenditure goes up somewhat more slowly. The deficit is therefore smaller than in 2024 (see Figure 3). At the same time, as in the previous forecast, the Debt Office expects a total of SEK 25 billion in new unfunded fiscal policy reforms, which brings down the budget balance by as much.

Central government net lending continues to progress in approximately the same way as the budget balance.

Table 8 Central government budget balance

SEK billion

Central government budget balance	Outcome 2023	New forecast 2024	23:3 2024	New forecast 2025	23:3 2025
Primary balance[1]	31	-53	-21	-24	-21
Debt Office net lending[2, 3]	20	-10	-5	3	-8
Interest on central government debt[3]	-32	-21	-23	-29	-31
Budget balance[4]	**19**	**-84**	**-49**	**-50**	**-60**
Central government net lending	10	-95	-74	-17	-28

Note: Central government net lending for 2023 is a forecast. 23:3 refers to the previous forecast

[1] The primary balance is the net of income and expenditure excluding interest payments and Debt Office net lending.

[2] Debt Office net lending mainly consists of the net of government agencies' loans and deposits in the central government's internal bank.

[3] The table shows Debt Office net lending and the interest on central government debt in terms of how they affect the budget balance. The signs are therefore the opposite of those shown in Tables 9 and 10.

[4] The budget balance with the opposite sign is the central government net borrowing requirement.

Sources: The Debt Office and Statistics Sweden

The budget deficit larger this year than previously expected

Compared with the previous forecast, from October, the budget balance weakens by SEK 35 billion this year, whereas it strengthens by SEK 10 billion next year (see Figure 4).

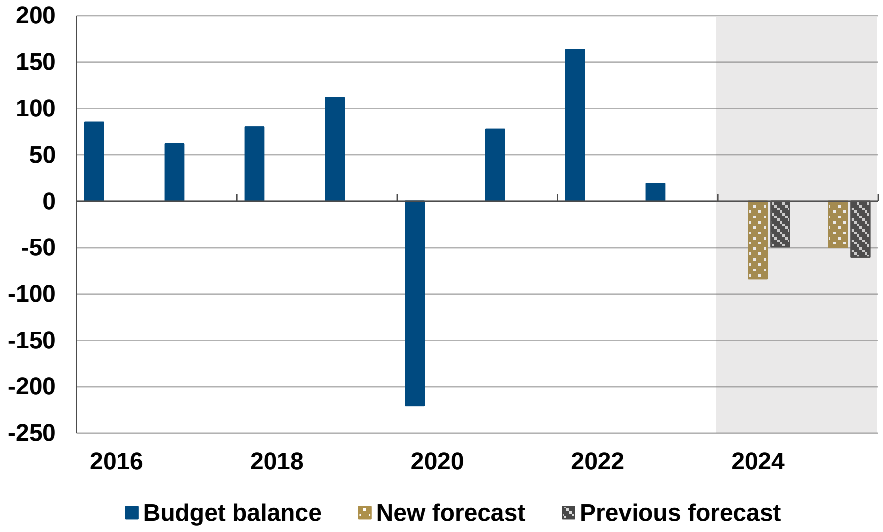
Income from tax develops more slowly in both years, compared with the October forecast. It is mainly consumption tax and supplementary tax that are lower. A weak consumption trend kept VAT down at the end of 2023. Accordingly, the forecast was lowered for both forecast years.

Total spending increases during 2024 compared with the previous forecast, which is primarily due to an assumption of a capital contribution to the Riksbank (see Facts section "Capital contribution to Riksbank" on page 19). At the same time, we assess that expenditure within a number of areas will be lower in both 2024 and 2025.

Net lending by the Debt Office is slightly higher this year, but lower next year, compared with the previous forecast. Interest on central government debt is lower in both years.

Figure 3 Central government budget balance 2016–2025

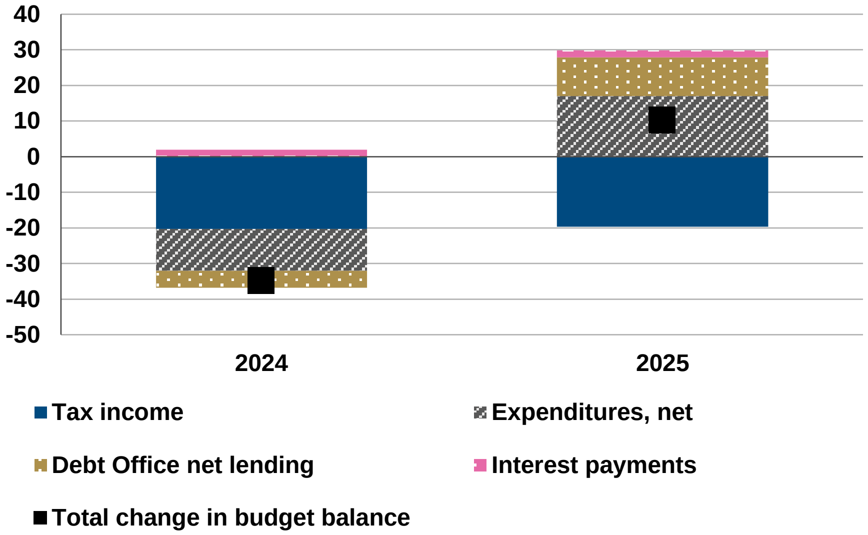
SEK billion



Source: The Debt Office

Figure 4 Forecast changes, budget balance

SEK billion



Note: The table shows changes in terms of the budget balance. A positive amount means that the budget balance is strengthened and vice versa.

Source: The Debt Office

Facts

Capital contribution to Riksbank

In the beginning of 2024, the Riksbank communicated that it would petition the Riksdag for a capital contribution. The background is that the bonds the Riksbank acquired starting in 2015 have decreased in value as interest rates have risen. The Riksbank's equity has therefore decreased.

The recorded equity amounted to SEK -2 billion at the end of 2023. Given that the Riksbank will request equity be restored to the "base level" according to the Sveriges Riksbank Act, the size of the capital contribution will be approximately SEK 40 billion. The Riksbank will submit a petition to the Riksdag in March this year. It will then be up to the Riksdag to decide on a capital contribution and its size.

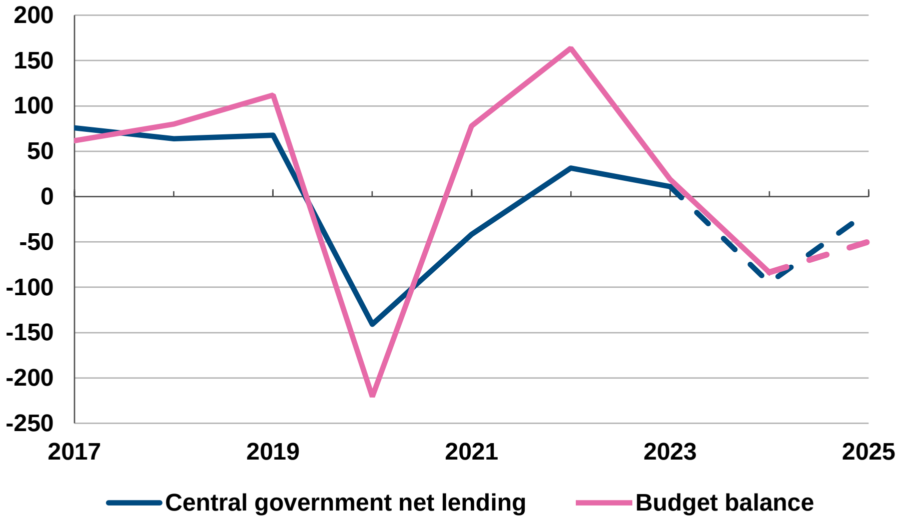
The Debt Office has chosen to use the information communicated by the Riksbank and therefore expects the budget deficit to decrease (net borrowing requirement increases) by SEK 40 billion. The Debt Office assumes that the injection of capital will occur in late 2024. For further information on the Riksbank's communication about a request for capital contribution, see the Riksbank's website.

Central government net lending also decreases

Central government net lending decreases to SEK -95 billion this year, from a small surplus in 2023. Next year, we expect net lending to be SEK -17 billion, see Figure 5. As a share of GDP, the forecast for net lending corresponds to -1.5 percent and -0.3 per cent for the respective years.

Figure 5 Central government net lending and budget balance

SEK billion



Sources: The Debt Office and Statistics Sweden

Central government net lending normally develops more evenly than the budget balance. In recent years, major differences between the budget balance and the net lending have been due to, among other things, the loans that the Riksbank has repaid to the central government. Large repayments were made in 2019 and between 2021–2023, which improve the budget balance but not central government net lending. In 2025, interest- and tax accrual effects contribute to making the net lending stronger than the budget balance.

No increase in central government tax income in 2024

Tax income are largely unchanged this year compared to 2023, but then increases in 2025. Lower capital gains and the economic development contribute to the dampening this year, while the increase next year results from higher activity in the economy.

Tax income is revised down this year and 2025. This is mainly due to weaker outcomes in 2023 that affect the forecast. The revisions to the macro picture have an adverse effect on tax income this year, due to household consumption being revised down. For 2025, the overall effect of the macroeconomic revisions is positive.

Facts

Central government's income from taxes

Tax income to the central government consists of payroll tax, consumption tax, corporate tax, and supplementary tax. The different types of tax are described in brief below.

- Payroll tax consists of the sum of preliminary "A-tax" (PAYE income tax deducted by the employer) and employer's contributions excluding the deduction for municipal tax and provisions for pensions.
- Consumption tax comprises both value-added tax (VAT) and excise duties.
- Corporate tax consists of a preliminary "F-tax" that companies pay in to the Swedish Tax Agency.
- Supplementary tax consists mainly of the net of incoming and outgoing payments from tax accounts. This concerns both the flows that arise as a result of deficits and surpluses in conjunction with tax assessment, but it can also pertain to capital placements in tax accounts, for instance.

The largest source of tax income is consumption tax, which accounts for approximately 50 per cent of total income. The smallest contribution is from supplementary tax.

Payroll taxes have a great impact between years

Both the weak development of tax income this year and the increase we foresee for next year are mainly due to the development of payroll tax.

Payroll taxes fell in 2023 after two years of a strong trend, and the decline continues this year, weighed down by high disbursements of municipal tax. The rate of payroll growth is also slower this year after several years of strong growth rate.

Consumption tax rises in 2024 but is weighed down by a weak household consumption trend and a drop in housing investment. Excise duties also experience weak development, as a result of tax cuts. For 2024, we assess that corporate tax will be largely unchanged from last year. Corporate tax is affected by, among other things, yield tax, which provides the central government with higher income this year. Income from supplementary tax has developed strongly since 2021. Income is, however, lower as a result of lower capital gains and higher interest deductions this year.

Next year, income from tax rises at a good pace again. Payroll tax picks up speed as a result of a stronger payroll trend. Domestic demand increases, which also causes consumption tax to shift upwards and corporate tax to rise. Yield tax provides the central government with increased income for 2025 as well. Supplementary tax, however, continues to be weighed down by capital gains and higher interest deductions.

Supplementary tax and consumption tax are revised down

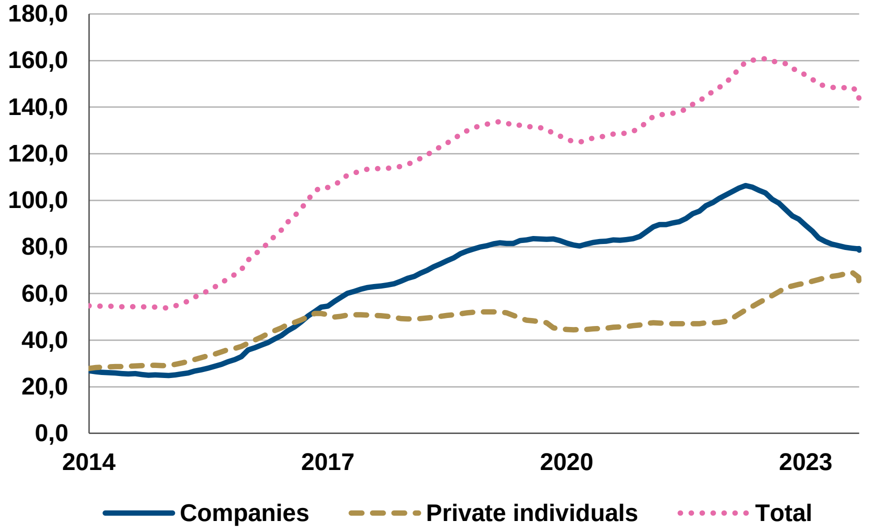
The central government's income from tax is revised down by SEK 20 each year compared with the forecast from October. The largest revision is in regard to supplementary tax, which decreases by SEK 12 billion this year and SEK 14 billion next year. Consumption tax is also revised down by SEK 10 billion this year and SEK 8 billion in 2025. Payroll tax and corporate tax are only revised up marginally.

Supplementary tax is revised down mainly because of new assumptions regarding capital placements. In the Debt Office's previous assessment, we estimated a net inflow from capital placements of approximately SEK 5 billion per year for 2024 and 2025. Given weaker outcomes for supplementary-tax payments and a lower balance in tax accounts, our assessment is now that private individuals and companies will instead reduce their capital placements during the forecast period. Accordingly, we now expect a net outflow of SEK 5 billion per year in 2024 and 2025. This contributes to lower income from supplementary tax.

The development for tax account balances, which we use as an indicator of the scale of capital placements, continues to show a different trend for companies than for private individuals, even though the level for companies is thought to have levelled out over the year (see Figure 6). Private individuals reduced their capital placements at the end of 2023. According to the latest assessment from the ESV (the Swedish National Financial Management Authority), which produces an estimate of the scale of the capital placements, companies reduced their placements by SEK 20 billion in 2022, at the same time as private individuals increased their placements by SEK 10 billion.

Figure 6 Total balance, tax accounts

SEK billion, twelve-month moving average



Note: The total balance consists, in simplified terms, of deposits in order to cover forthcoming tax debits, as well as capital placements. It is not possible to determine how much of the balance consists of capital placements. ESV's assessment is that capital placements altogether amounted to SEK 66 billion at the end of 2022, of which SEK 51 billion was attributed to companies. Twelve-month moving average.

Sources: The Swedish Tax Agency and the Debt Office

Growth of both VAT and excise duties was weaker than expected in 2023 and consumption tax is therefore also revised down for periods ahead. For 2024, weaker household consumption also contributes to the downward revision. However, the macroeconomic trend for 2025 has a positive effect on consumption tax, compared with the previous forecast.

Capital contribution raises expenditure

Primary expenditure decreased in 2023 as a result of phased-out pandemic support. In 2024 and 2025 they increase distinctly again. This is due to increased spending for, among other things, defence, as well as our assumption of a capital contribution to the Riksbank and unfunded measures in 2025. Compared with the previous forecast, we have revised up expenditure for 2024 but revised it down for 2025.

Facts

Primary expenditure

Primary expenditure is the central government's expenditure that is not interest or net lending by the Debt Office. The intention is to show the underlying expenditure trend. In the Debt Office's primary expenditure, certain types of income are deducted. This is income that is not from taxes, dividends, or the sale of government assets. EU grants are an example of a type of income that is deducted. In other words, these entail lower expenditure.

This year, primary expenditure is affected by the capital contribution to the Riksbank, which is assessed to amount to SEK 40 billion. At the same time, incoming payments from the EU's Recovery and Resilience Facility are expected (see below). Otherwise, expenditure increases distinctly this year, largely due to higher defence spending. But it is also due to higher education spending in the wake of a weakened labour market, and higher social-insurance expenditure as a result of high inflation.

In 2025, the increase is driven by expenditure for defence and also higher EU fees. Sweden's fee to the EU is expected to increase in 2025 as a result of several programmes being implemented under the EU's multi-year budget framework. The Debt Office assumes unfunded fiscal policy measures of SEK 25 billion for 2025, which is unchanged from the previous report.

Large incoming payments from EU's Recovery and Resilience Facility

In November 2023, The European Council approved an implementing decision for Sweden's recovery plan. This gives the Government access to deposits from the EU's Recovery and Resilience Facility. However, before payments from the fund can be made, the Government must first submit a payment application to be reviewed by the European Commission. It is uncertain when incoming payments will be made, but the Debt Office assumes that SEK 32 billion will be paid out in December this year. This corresponds to the majority of the payments from Sweden's recovery plan. We assume that the remaining funds will arrive in 2025 and 2026.

Higher spending in 2024 from capital contribution to Riksbank

In this forecast, the Debt Office has revised up expenditure for 2024 by SEK 6 billion. Naturally, the capital contribution to the Riksbank is a large contributor to this amount. At the same time, we have made new assessments, which entail lower expenditure and partially offset the expenditure for the capital contribution. Our new assessments also affect 2025, causing us to revise down expenditure for 2025 by SEK 18 billion.

Debt Office net lending weakens budget balance this year

Net lending contributes negatively to the budget balance this year and slightly positively in 2025. The forecast for net lending has been revised down for 2025 and up for 2024, compared with the Debt Office's previous forecast.

Facts

Debt Office net lending – a special expenditure item

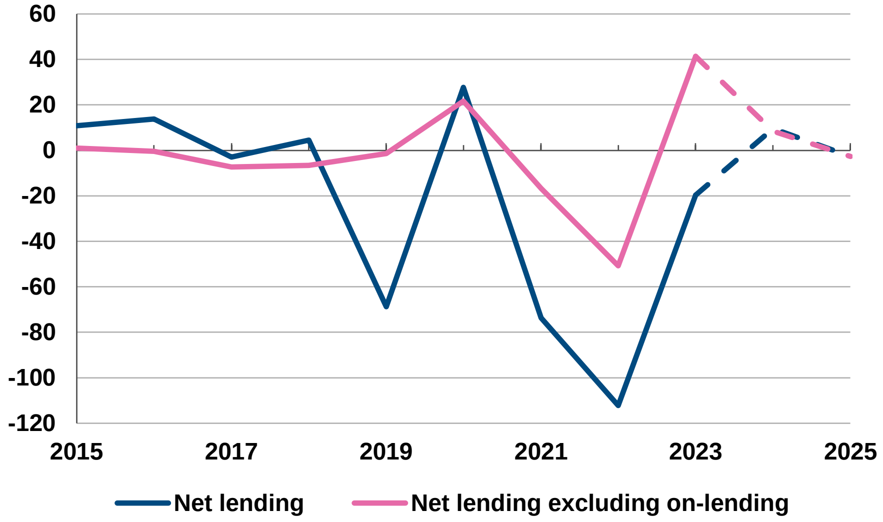
Net lending by the Debt Office to government agencies and other parties is an item on the expenditure side of the central government budget. This means that increased net lending by the Debt Office weakens the budget balance. This can also be expressed by saying that the net borrowing requirement increases.

Net lending to government agencies and other parties is not financed by appropriations and does not come under the expenditure ceiling. It consists of the change in all lending and depositing in the central government's internal bank (treasury), at the Debt Office. Net lending covers ongoing central government activities – such as student loans, deposits in the premium pension system, and lending to infrastructure investments – as well as items such as on-lending to the Riksbank and other countries. These items may be decided at short notice, and they can contribute to strong variations in net lending from year to year.

In recent years, net lending has contributed strongly to the budget balance. This has mainly been due to two temporary factors. The first is the loans raised by the Debt Office on behalf of the Riksbank, for financing the foreign currency reserve, being paid back. In total, the repayment of the loans strengthens the budget balance by SEK 182 billion for the 2021–2023 period (see Figure 7). The other factor is that Svenska kraftnät's deposits at the Debt Office were unusually high in 2022, as a result of the large influx of revenue from congestion rent. In 2023, Svenska kraftnät's deposits at the Debt Office decreased as congestion revenue was used to finance electricity price support to households and businesses.

Figure 7 The Debt Office's net lending to agencies and other parties

SEK billion



Note: On-lending includes the Debt Office's lending to the Riksbank as well as other non-governmental parties.

Source: The Debt Office

This year, net lending by the Debt Office contributes negatively to the budget balance. The Riksbank has repaid the loans that the Debt Office raised for financing the currency reserve, and the Debt Office's on-lending to the Riksbank and other non-governmental parties is expected to have a significantly smaller impact on Debt Office net lending in periods ahead. The Deposit Guarantee Fund's deposits at the Debt Office are expected to decrease, which weakens the budget balance. In 2023, the Deposit Guarantee Fund kept a holding of securities until maturity, after which funds were transferred to the Deposit Guarantee Fund's account at the Debt Office. We assume that Deposit Guarantee Fund will invest these funds in 2024, which means that the Fund's deposits at the Debt Office will decrease and Debt Office net lending will increase. The effect of this outflow is offset by Svenska kraftnät's deposits at the Debt Office increasing from the influx of congestion revenue.

Svenska kraftnät's inflow of congestion revenue is expected to contribute negatively to Debt Office net lending in 2025 as well. This is offset by the Debt Office's lending to CSN increasing as of 2024 as CSN increases its disbursements of student loans.

Compared with our October forecast, net lending by the Debt Office increases by SEK 5 billion this year and then decreases by SEK 11 billion next year. The revisions are mainly due to new assessments regarding the Deposit Guarantee Fund's deposits at the Debt Office and Svenska kraftnät's inflow of congestion revenue.

Table 9 Debt Office's net lending

SEK billion

The Debt Office's net lending to agencies and other parties	Outcome 2023	New forecast 2024	23:3 2024	New forecast 2025	23:3 2025
Lending, of which	**-35**	**26**	**24**	**26**	**26**
CSN (Swedish Board of Student Finance)	12	16	16	17	17
Swedish Transport Administration	6	2	1	1	1
Lending to outside the government[1]	0	0	0	0	0
On-lending to the Riksbank	-61	1	0	0	0
Other[2]	8	7	8	7	8
Deposits, of which	**-15**	**17**	**20**	**28**	**17**
CSN, credit reserve etc.	-10	1	2	3	3
Resolution reserve	6	6	6	6	6
Premium pension, net[3]	8	0	-1	1	0
Deposits from outside the government[4]	-1	-3	1	1	1
Other[2]	-19	12	12	18	7
Net lending	**-20**	**10**	**5**	**-3**	**8**
Net lending excluding on-lending to the Riksbank	**41**	**8**	**5**	**-3**	**8**

Note: 23:3 refers to the previous forecast.

[1] Lending to outside the government refers to lending in SEK to actors outside the realm of government agencies, such as state-owned companies.

[2] Lending and deposits to Svenska kraftnät is included in the "Other" category.

[3] Premium pension refers to the net of paid-in pension fees and disbursement of funds, and other administrative costs.

[4] Deposits from outside the government refers to deposits from actors outside the realm of government agencies, such as the EU account.

[5] On-lending includes the Debt Office's lending to the Riksbank as well as other non-governmental parties.

Source: The Debt Office

Lower interest payments

Since the previous forecast, market interest rates have declined and the krona has gotten stronger, which means that interest payments are lower in the new forecast than in the previous one.

Table 10 Interest on central government debt

SEK billion

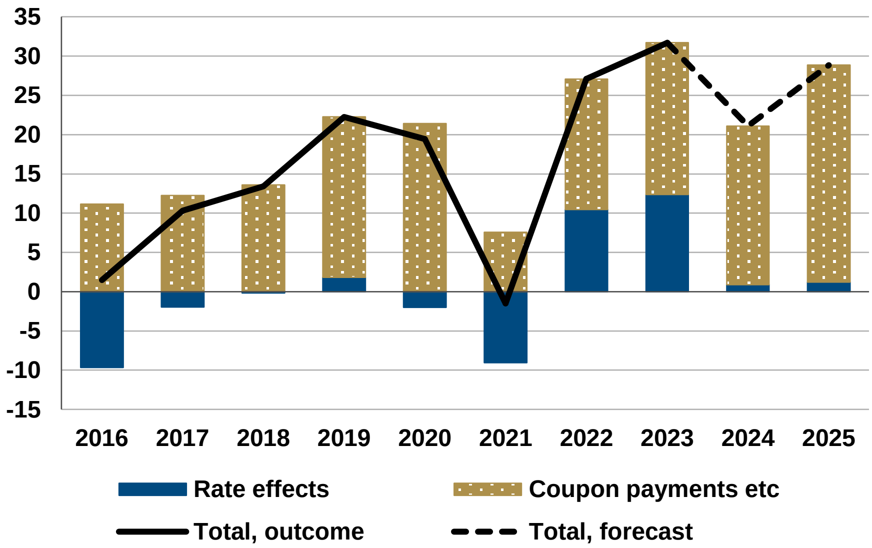
Interest on central government debt	New forecast 2024	23:3 2024	New forecast 2025	23:3 2024
Interest on loans in SEK	20	21	28	30
Interest on loans in foreign currency	2	2	1	1
Realised currency gains and losses	-1	0	0	0
Sum of interest on government debt	**21**	**23**	**29**	**31**

Note: 23:3 refers to the previous forecast.
Source: The Debt Office

The Debt Office now expects interest payments to amount to SEK 21 billion this year and SEK 29 billion next year (Table 10). This entails a downward revision of SEK 4 billion in total for the current year and next year.

Figure 8 Interest payments 2016–2025

SEK billion



Source: The Debt Office

The interest payments increase by approximately SEK 8 billion between 2024 and 2025 (see Figure 8). This is due to the Debt Office paying out inflation compensation for an inflation-linked bond maturing in 2025. In 2024, no inflation-linked bonds are maturing and the corresponding effect thus does not occur then.

The Debt Office uses implicit forward interest rates in calculating the central government's interest payments. The calculation was made using the yield curves on 31 January 2024. For the calculation of exchange rate effects, we use cut-off rates.

Major temporary payments uncertain for budget balance

The uncertainty regarding economic developments is of great significance to the progression of the budget balance. Normally, tax income is mostly affected by the business cycle and has the largest effect on the budget balance, whereas the central government has more direct control of expenditure, which tends to develop more evenly.

The budget balance is also affected by large payments of a temporary nature. Such temporary factors pertaining to this forecast are primarily incoming payments from the EU's Recovery and Resilience Facility, a capital contribution to the Riksbank, the influx of congestion revenue to Svenska kraftnät, and capital placements in tax accounts. All these payments are assessed to have a major impact on the budget balance and remain uncertain in terms of when they might occur.

Increased bond borrowing

As the borrowing requirement grows, the Debt Office will increase the issuance volume of nominal government bonds. Short-term borrowing also goes up slightly in 2024, compared with the previous forecast. We have, however, initiated a gradual redistribution from short-term borrowing in the money market to more long-term borrowing in the capital market.

For the 2023–2025 period, the new forecast of the budget balance described in the previous chapter entails that the net borrowing requirement is a total of SEK 37 billion larger than in the October forecast. Altogether for the 2024–2025 period, the net borrowing requirement is SEK 25 billion larger.

We expect the total borrowing requirement, which also includes the refinancing of maturing loans, to be SEK 330 billion for 2024 and SEK 394 billion for 2025, entailing an upward revision of SEK 46 billion and SEK 22 billion, respectively, compared with the previous forecast. Figure 9 shows the trend for the total borrowing requirement and its components, both between years and in comparison with the previous forecast. Table 11 and Figure 10 show how the borrowing requirement is financed.

Table 11 Funding plan

SEK billion

Funding plan	Outcome 2023	New forecast 2024	23:3 2024	New forecast 2025	23:3 2025
T-bills	123	148	128	158	158
Liquidity management	97	80	66	127	124
Sum of money market funding	**220**	**227**	**193**	**284**	**281**
Nominal government bonds	45	73	60	80	60
Inflation-linked bonds	9	9	9	9	9
Foreign currency bonds	0	21	22	21	22
Sum of bond funding	**53**	**102**	**90**	**109**	**90**
Total gross borrowing	**273**	**330**	**284**	**394**	**372**

Note: Money market funding corresponds to outstanding stock at the end of December. 23:3 refers to the previous forecast.

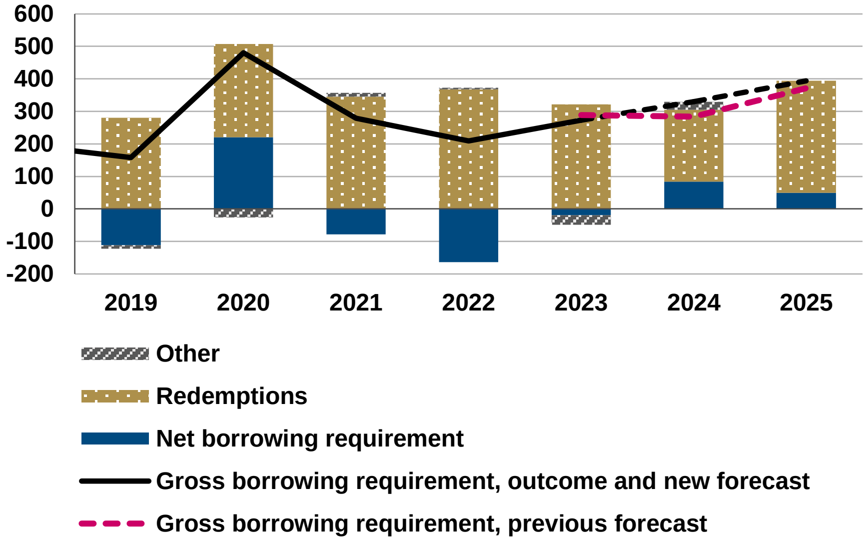
Source: The Debt Office

The Debt Office will be increasing the issuance volume of nominal government bonds in two stages during 2024. We are also going to increase the supply of treasury bills in 2024 but are planning for the stock at the end of 2025 to be unchanged compared with the previous plan. The proportion of short-term borrowing remains relatively large this year – but, as we indicated in the previous Central Government Borrowing Report, we are now transitioning to more long-term borrowing for that reason.

The planned issuance of inflation-linked and foreign currency bonds is unchanged.

Figure 9 Total gross borrowing requirement

SEK billion

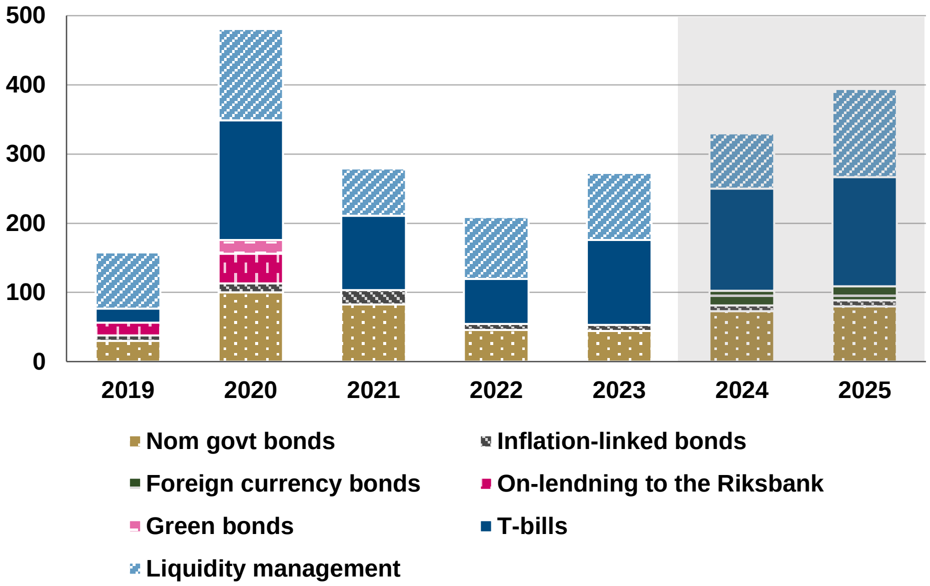


Note: The net borrowing requirement is the budget balance with the opposite sign. The post "Other" includes for example an adjustment due to the net borrowing requirement being reported by settlement date whereas borrowing is reported by trade date. Previous forecast refers to 23:3.

Source: The Debt Office

Figure 10 Borrowing by instrument

SEK billion



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

Source: The Debt Office

Facts

Borrowing strategy forms basis of issuance planning

The Debt Office maintains a borrowing strategy for, among other things, which debt instruments we use and how we prioritise between instruments and maturities.

Nominal government bonds: the most important source of funding

Nominal government bonds are the Debt Office's largest and most important funding source. Over time, we therefore prioritise these over other instruments. We offer regular issues through auctions according to a pre-determined borrowing plan. Selling smaller volumes on many occasions reduces the risk of the state needing to borrow large volumes at times when market conditions are unfavourable. At the same time, we offer investors continual access to government bonds via the primary market.

An important part of the strategy for minimising borrowing costs over the long term is to act in a predictable manner and to build up sufficient volume in certain prioritised maturities to ensure good liquidity. This means that the Debt Office adjusts the borrowing in government bonds to short-term conditions in the market only to a limited extent. We also endeavour to maintain relatively even maturities (redemptions) in the stock of bonds, in terms of size and over time.

Inflation-linked bonds are complement to nominal bonds

By issuing inflation-linked bonds, the Debt Office can attract investors that want to protect themselves against inflation. The inflation-linked bond issuance should be large enough to enable liquid trading of these bonds, yet not so large that it crowds out nominal government bonds and worsens liquidity in that market.

For inflation-linked bonds as well, the Debt Office also regularly issues by auction and strives for even maturities. In order to facilitate reinvestment at maturity, we offer switches to bonds with longer terms to maturity, with the aim of limiting the outstanding volume of maturing bonds. In recent years, however, interest in making switches in connection with maturities has been limited.

Bonds in foreign currency contribute to good borrowing preparedness

In the international capital market, the Debt Office is able to reach a larger group of investors and borrow large amounts within a short span of time. There are therefore reasons for issuing bonds in foreign currency even when the borrowing requirement is small, in order to maintain the readiness to borrow large amounts as necessary.

Because the Debt Office is a small player in the international capital market, as opposed to in the Swedish-krona market, there are greater opportunities for flexibility and adapting the borrowing to prevailing market conditions in the international arena. We also issue securities with shorter maturities in foreign currency.

Treasury bills to balance fluctuations in borrowing requirement

Using treasury bills, the Debt Office can borrow in short maturities in the krona market. We regularly issue T-bills through auctions and can also sell them within the liquidity management operations. In the planned borrowing, we mainly use T-bills to balance fluctuations in the borrowing requirement. In this way, the Debt Office can maintain stability in the government bond borrowing.

Supply of nominal government bonds increases

The Debt Office plans to gradually increase the supply of nominal government bonds in the auctions. We will raise the issuance volume from SEK 3 billion to SEK 3.5 billion as of March this year, then further to SEK 4 billion in August. The new plan contains an issuance volume of SEK 73 billion in nominal bonds for 2024 and SEK 80 billion for 2025. This can be compared with SEK 60 billion per year in the previous plan.

The Debt Office plans to carry out the majority of the auctions in the ten-year segment and in the two-year and five-year reference bonds (see Table 12). This is in line with our strategy of borrowing in a transparent and predictable manner with a focus on building up reference bonds. On 31 January, we introduced a new bond, SGB 1066, maturing on 11 May 2035. The introduction was followed by three switches in order to rapidly build up the volume.

Table 12 Reference bonds

Date of change	2-year	5-year	10-year
Current	1059	1061	1065
2024-06-19	-	-	1066

Note: The reference bond in the electronic interbank market is the bond that is closest to two, five, or ten years in term to maturity. Reference bonds are changed on the IMM (International Money Market) dates: the third Wednesday in March, June, September, and December. The date of change of reference bonds refers to the settlement date.

Source: The Debt Office

Table 13 Important events

Date	Time	Activity
8 Mar	11.00	Switch from SGB IL 3109
30 May	09.30	Borrowing forecast 2024:2

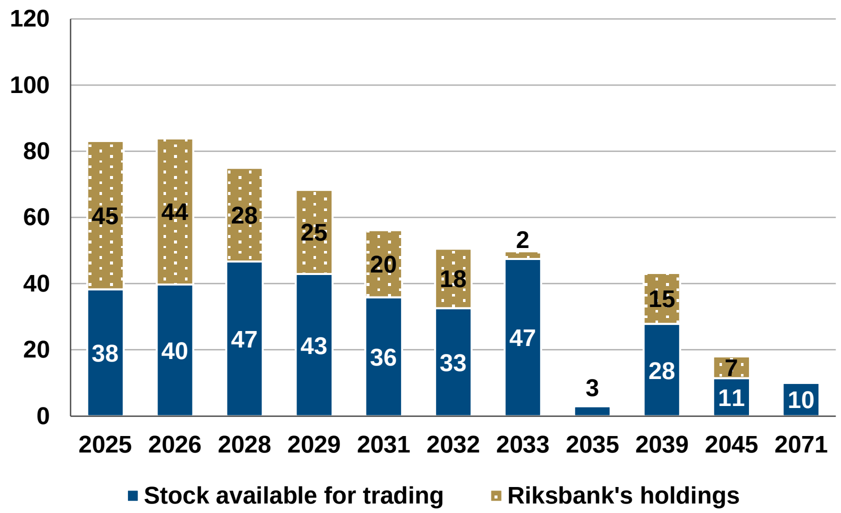
Source: The Debt Office

The Riksbank owns a large portion of the outstanding stock of government bonds as a result of its purchases of Swedish government securities in recent years. Figure 11 shows outstanding nominal government bonds and the Riksbank's holding of each bond.

In 2023, the Riksbank began selling off its holdings of nominal and inflation-linked bonds in April and increased the rate of sale in September. In February of this year, the Riksbank further increased the rate of sale of nominal government bonds, bringing up the total pace from SEK billion to SEK 6.5 billion per month. These sales cause the volume available for trading to increase, which over time might improve the functioning of the bond market (see the Facts section "Slightly better liquidity in government securities market" on page 40).

Figure 11 Outstanding stock of nominal government bonds and the Riksbank's holdings

SEK billion



Note: Outstanding volume as of 31 January 2024 expressed in nominal amount for each government bond with maturity year according to the x-axis. The Riksbank's holdings are reported in accordance with the National Debt Office's business day report for the national debt.

Sources: The Riksbank and The Debt Office

Facts

Decisions and communication in advance of each auction

The Debt Office's strategy is to borrow in a transparent and predictable manner. This means that we distribute the borrowing among debt instruments and maturities on the basis of a stated strategy and communicate in a structured way how we are going to conduct the borrowing.

In the report *Central Government Borrowing – Forecast and Analysis*, the Debt Office presents the general distribution of borrowing between instruments, and to some extent maturities, for the two years ahead. There is also a schedule of upcoming auctions in the report and on our website, and we provide information about introductions of new bonds. A week before regularly scheduled auctions, we communicate what government security(ies) we are going to issue. For switch auctions, we announce the terms in advance of this, according to the "Important Dates" table in the report.

We have an issuance plan to adhere to

The general borrowing plan that the Debt Office communicates to the public is a summary of an internal issuance plan that we establish in conjunction with the Central Government Borrowing Report. The plan sets forth which security(ies) we plan to issue at each auction. On the basis of that, we then make an issuance decision before each auction.

Prior to that decision, we check to see whether there is a unanimous assessment among market participants indicating that we should refrain from issuing certain government securities in the upcoming auction. It is important to note here that it shall not be possible for individual participants to affect our decisions. We normally follow the internal issuance plan, but we may change the placement of different bonds included in the plan. We never alter the total planned issuance volume before a bond auction.

For treasury bills, we have a partly different method than for government bonds. Here, we also have a plan for which T-bill(s) we are going to issue and how large the volume will be, but we can adjust the auction volume depending on how the budget balance (net borrowing requirement) develops. Nevertheless, we introduce new treasury bills in a predictable manner, as described on page 37.

Clearer information about plan in future

We currently describe the allocation between maturities in the bond borrowing in relatively general terms in the Central Government Borrowing Report (see page 33). Starting with the next report, we intend to present more information about this distribution in the planned auctions of nominal government bonds until the following report. In doing so, we aim to satisfy market participants' requests for clear communication about the distribution of maturities and how we select the various instruments (in accordance with the annual market survey).

No change in plan for inflation-linked bonds

The planned issuance volume of inflation-linked bonds remains unchanged from the forecast in November, i.e. SEK 500 million per auction throughout the forecast period. That is an annual volume of SEK 8.5 billion.

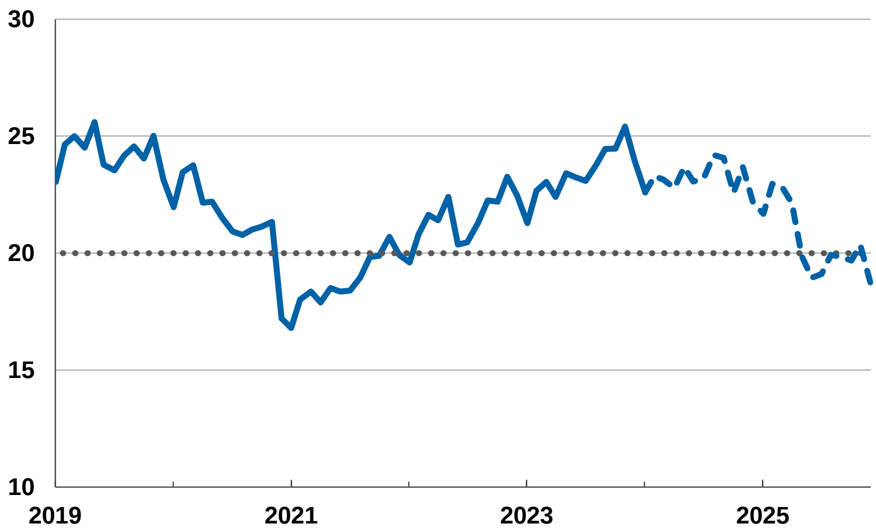
In March, the Debt Office will offer a market-maintaining switch auction for a total of SEK 3 billion, in which we buy inflation-linked bond 3109 maturing on 1 June

2025 and sell inflation-linked bond 3113 maturing on 1 December 2027 (see Table 13). Historically, we have offered larger and more switches in advance of maturities – but, since the Riksbank owns a significant share of the outstanding volume of the bond now maturing, we assess there to be a smaller need among the investor community than usual.

The inflation-linked debt's proportion of the central government debt will exceed the long-term objective of 20 per cent until 2025 when SGB IL 3109 reaches maturity (see Figure 12). Thereafter, it will be near the target in our forecast. The progression of the inflation-linked share is affected by several factors such as issuance volume, rate of inflation, planned switches, maturities, and the size of the central government debt. The continual market-maintaining switches also affect the inflation-linked debt share.

Figure 12 Inflation-linked debt as share of central government debt

Per cent of total central government debt



Note: The forecast shows figures for the end of each month while the outcome shows the monthly average. The dotted line shows the long-term objective for the share of inflation-linked debt. The share is calculated at the nominal amount using the current exchange rate including accrued inflation compensation.

Source: The Debt Office

Plan to issue foreign currency bond still stands

This year's issuance plan contains a bond in foreign currency that the Debt Office issued on 23 January. We sold a two-year bond for a total of USD 2 billion (approximately SEK 21 billion). We also plan to issue a foreign currency bond next year corresponding to SEK 21 billion. The foreign currency borrowing does not involve a currency exposure in the central government debt, because we hedge those loans.

Issuing bonds in foreign currency in the international capital market is a flexible form of borrowing that the Debt Office can easily adjust as borrowing needs change. Foreign currency borrowing is conducive to good borrowing preparedness because the Debt Office can borrow large amounts in the international capital market within a short amount of time (see the borrowing strategy on page 31). We can also remove a foreign currency bond from the plan if the borrowing requirement turns out to be lower than expected.

Stock of treasury bills increases this year

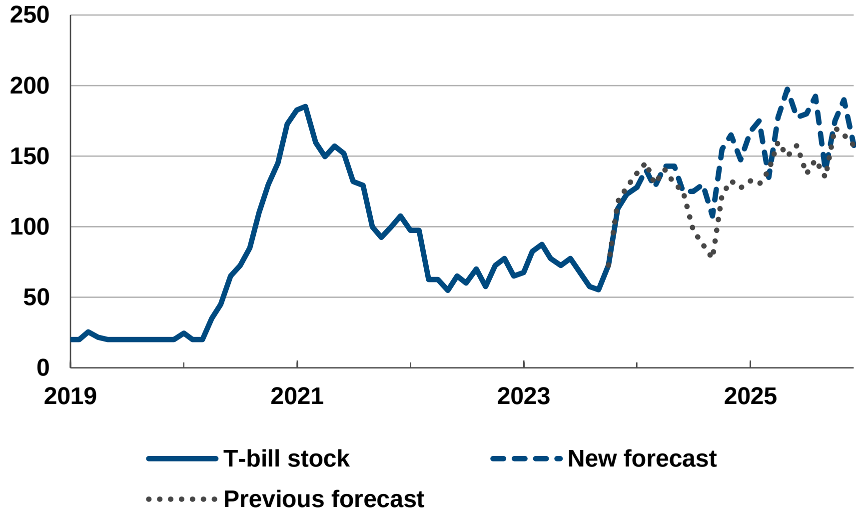
Compared with the previous plan, the stock of treasury bills will be larger in 2024 but remained unchanged at the end of 2025. The increase in 2024 is due to a larger net borrowing requirement. We now expect an outstanding volume of SEK 148 billion at the end of 2024 and SEK 158 billion at the end of 2025 (see Figure 13).

The Debt Office issues a new 12-month bill every three months maturing on an IMM date (the third Wednesday in March, June, September, and December). In the other months, we introduce a new three-month bill. For more information about auction dates and which treasury bills we will be introducing, see Table 23 in the appendix of tables.

The planned volume in the individual auctions varies within the range of SEK 7.5 billion to SEK 20 billion. The Debt Office plans the volumes in individual auctions of treasury bills on the basis of seasonal patterns in the central government's payments, and maturities. We can make further adjustments ahead of each auction if necessary, depending on how the payments develop. This means that decisions we make one week prior to an auction may ultimately differ from the planned volumes in the auction schedule.

Figure 13 Stock of treasury bills

SEK billion



Source: The Debt Office

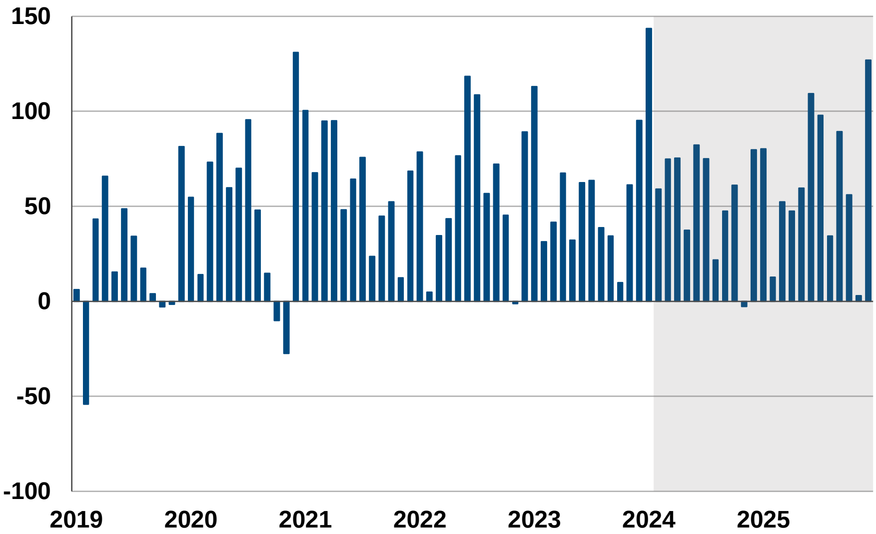
Within the liquidity management operations, the Debt Office finances the borrowing requirement that remains after the planned issues of treasury bills and bonds. This includes issuing T-bills on a discretionary basis (tap issues), and commercial paper in foreign currency. In this forecast, the volume of liquidity management instruments is essentially in line with the last forecast.

There are large variations within liquidity management, both between months and between individual days. In the forecast period, the Debt Office borrows and invests the liquidity within a range of SEK -80 billion and SEK 130 billion. The forecast for the average daily borrowing requirement in 2024 is approximately SEK 15 billion.

The amounts borrowed as part of liquidity management are continually adjusted to the development of the budget balance and the regular borrowing (see Figure 14).

Figure 14 Liquidity management

SEK billion



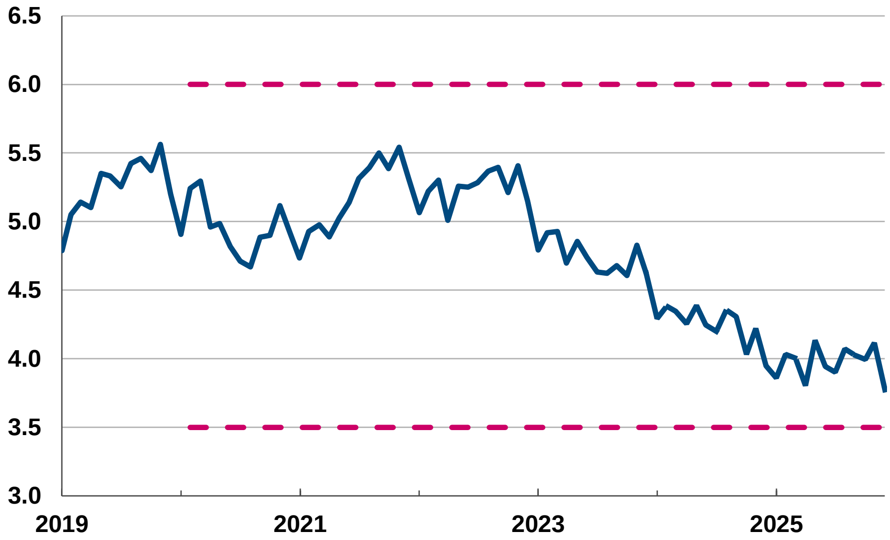
Note: End of month nominal amount at current exchange rate including assets under management. Positive amounts indicate borrowing requirement, negative amounts indicate cash surplus.

Source: The Debt Office

A result of, among other things, the share of short-term borrowing continuing to be relatively large, the planned maturity of the central government debt, measured as duration, is in the lower part of the target interval in periods ahead (see Figure 15).

Figure 15 Maturity of the central government debt

Years



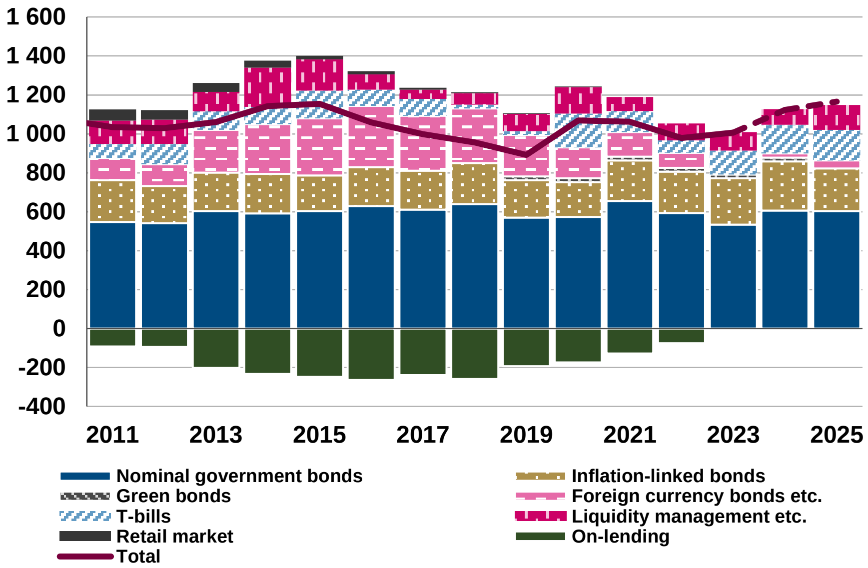
Note: Term to maturity is measured using Macaulay duration. The forecast shows the last day of each month, whereas outcomes are shown as the monthly mean. The dashed lines represent the steering interval for duration in the Government's guidelines for debt management.

Source: The Debt Office

With the plan we are now implementing, the distribution of various debt instruments in the central government debt will develop as shown in Figure 16. Nominal government bonds continue to be the base and are the Debt Office's largest and most important funding source.

Figure 16 Central government debt by instrument

SEK billion



Note: Central government debt including on-lending and assets under management. The amount refers to outstanding stock at the end of the year.

Source: The Debt Office

Facts

Slightly better liquidity in government securities market

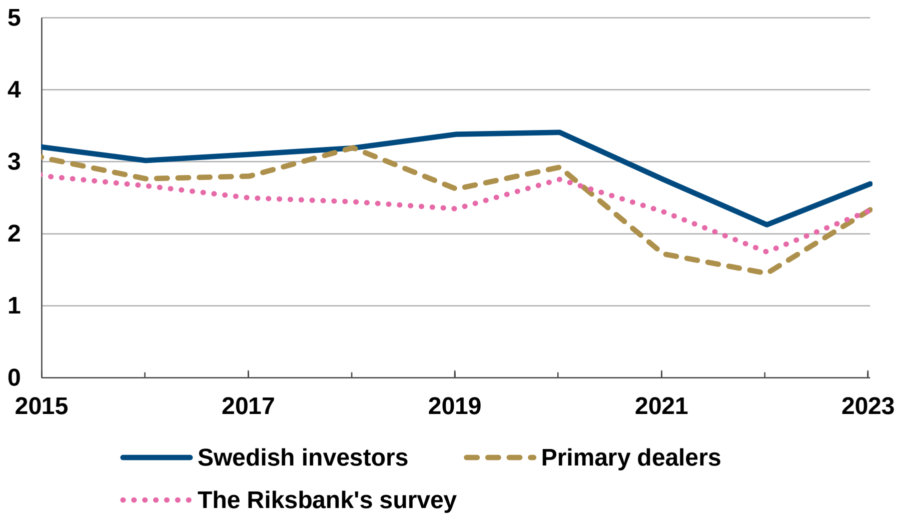
Both surveys and quantitative measures have long shown increasingly worse liquidity in the secondary market for government securities. While signs of a turnaround have emerged over the last six months, the measures nonetheless show that market liquidity remains worsened.

Market liquidity refers to the possibility of buying and selling a security quickly, at a reasonable cost with little impact on prices. A well-functioning market with good liquidity is an important factor in attracting investors to Swedish government securities and keeping down the long-term cost of the central government debt.

In the annual questionnaire survey that the Debt Office commissions, market participants rate liquidity in terms of two important aspects– volume and spread (difference between bid price and ask price) – on a scale of 1 to 5. The results of the survey at the end of 2023 show that market participants experienced an improvement since 2022. Figure 17 shows that the average scores for volume and spread rose for nominal government bonds in 2023. Nevertheless, the Debt Office's primary dealers and Swedish investors rated liquidity in the secondary market as unsatisfactory (scores lower than 3) for the third year in a row.

Figure 17 Perceived liquidity in market for nominal government bonds

Score



Note: Scores for liquidity in terms of volume and spread measured in annual Prospera survey by Kantar. Rating scale 1–5, where 4 and higher is interpreted as excellent and lower than 3 as unsatisfactory. The figure shows the average of the scores for spread and volume. The Riksbank conducts a survey twice a year. The annual average of the results is shown here.

Sources: The Riksbank and the Debt Office

In addition to the Debt Office's survey, Figure 17 shows the results of the Riksbank's Financial Markets Survey. In that survey too, market participants rate liquidity in the secondary market – and, in last year's survey, market participants were less pessimistic than in 2022.

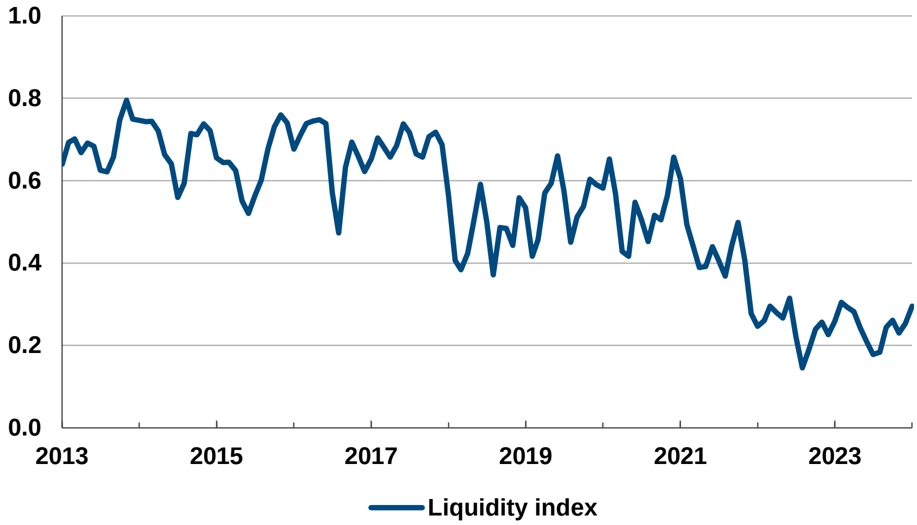
In both of these surveys, several market participants state that a contributing factor to their perceptions of liquidity having improved somewhat was that, in April, the Riksbank started selling off its holdings of nominal and inflation-linked bonds. This in turn resulted in an increase in the trading volume during the year.

Finansinspektionen (the Swedish Financial Supervisory Authority) calculates a number of indicators that it weighs together to form an aggregate measure of market liquidity. That measure shows liquidity in the secondary market for government bonds to have stabilised in 2023, albeit at a low level (the progression is showed in Figure 18).

In a stressed financial scenario, for instance, a situation of deteriorated market liquidity could involve high costs for the central government to obtain financing. Although liquidity in the secondary market for government securities has recently improved somewhat, it may be a long time before the market functions satisfactorily.

Figure 18 Measure of liquidity

Index



Note: Finansinspektionen's liquidity index sure is 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

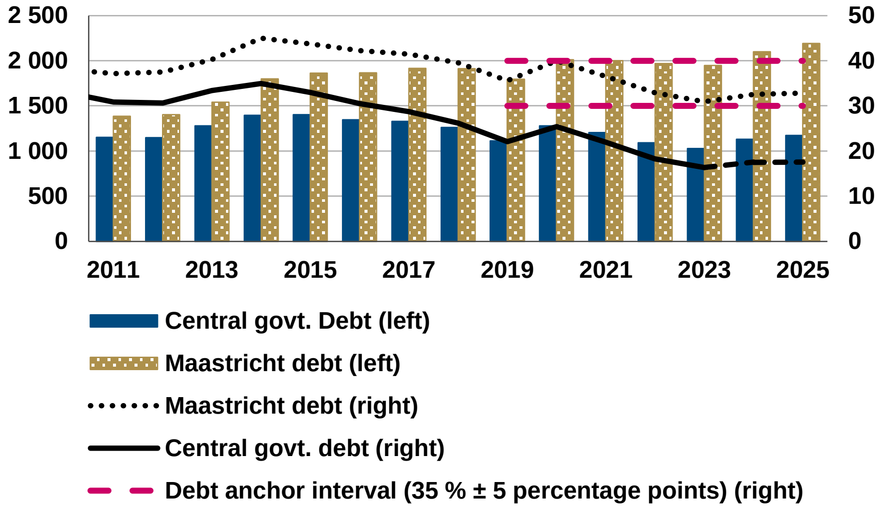
Central government debt increases from lowest level since 1960s

At the end of 2023, the central government debt was SEK 1,028 billion, which corresponds to 16 per cent of GDP. The Debt Office expects the debt to increase to SEK 1,132 billion in 2024 and to SEK 1,174 billion in 2025 (see Table 14 and Figure 19). Accordingly, it will end up at 18 per cent of GDP at the end of 2025.

The Debt Office expects the general government debt, also called the Maastricht debt, to be 33 per cent of GDP at the end of 2024 and 2025. The Maastricht measure includes the consolidated debt for the public sector and is used in international comparisons and the fiscal policy framework (see the Facts section “Different measures of government debt” on page 42). According to the debt anchor in the framework, the Maastricht debt shall be 35 per cent of GDP (±5 percentage points). During the year, the Government appointed a committee to review the fiscal policy framework.

Figure 19 Central government debt – development over time

SEK billion, per cent of GDP



Note: For 2023–2025, the shares are based on the Debt Office’s GDP forecast. Outcome data is obtained from Statistics Sweden.

Sources: The Debt Office and Statistics Sweden

Facts

Different measures of government debt

There are different ways of measuring government debt. The Debt Office reports the *central government unconsolidated debt*. This measure shows the central government gross debt and includes all loans raised by the Debt Office on behalf of the central government, irrespective of who owns the claims on the state. The debt is reported at its nominal terminal value according to the principles applied in the EU.

Some government agencies own government bonds and treasury bills. This kind of intragovernmental ownership is deducted in the *central government consolidated debt* (although not the Riksbank's holdings). That measure provides an overall picture of the financial position of the central government and is used in the Budget Bill and the annual report for the central government. The central government consolidated debt is calculated by ESV (the Swedish National Financial Management Authority).

One debt measure often used in international comparisons is *general government consolidated gross debt*, also called the Maastricht debt. This debt is larger than the central government debt as it also includes local and regional governments and the old-age pension system. Its calculation is based on conditions in the Maastricht Treaty. According to EU regulation, the Maastricht debt must not exceed 60 per cent of GDP.

The Maastricht debt is also the measure that forms the basis of the debt anchor of 35 per cent of GDP, which by decision of the Riksdag (Parliament) has been in force from 2019. General government consolidated gross debt is published by Statistics Sweden.

Table 14 From net borrowing requirement to central government debt

SEK billion

From net borrowing requirement to central government debt	2021	2022	2023	Forecast 2024	Forecast 2025
Net borrowing requirement (budget balance with opposite sign)	**-78**	**-164**	**-19**	**84**	**50**
Business day adjustment etc.[1]	**7**	**1**	**-25**	**26**	**0**
Net borrowing per business day	**-71**	**-163**	**-44**	**110**	**49**
A. Net amount including money market assets	**1,159**	**996**	**952**	**1,062**	**1,111**
Inflation compensation	24	43	59	65	58
Exchange rate effects	6	15	-2	0	0
B. Net amount to current exchange rate incl. inflation compensation	**1,189**	**1,054**	**1,009**	**1,127**	**1,169**
Assets under management	15	39	19	5	5
C. Central government debt	**1,204**	**1,093**	**1,028**	**1,132**	**1,174**
Assets under management	-15	-39	-19	-5	-5
On-lending	-127	-76	-3	-3	-3
D. Central government debt incl. on-lending and assets under management	**1,063**	**978**	**1,006**	**1,124**	**1,166**
Nominal GDP	5,487	5,985	6,301	6,452	6,686
C. Central government debt, % of GDP	22	18	16	18	18
D. Central government debt incl. on-lending and money market assets, percentage share of GDP	19	16	16	17	17

[1] A difference occurs as borrowing is reported by trade date while net borrowing requirement is reported by settlement date.

Source: The Debt Office

Appendix of Tables

Table 15 Central government net lending

SEK billion

Central government net lending	2022	2023	Forecast 2024	Forecast 2025
Budget balance	**164**	**19**	**-84**	**-50**
Sale of limited companies	-1	0	0	0
Parts of Debt Office's net lending	-114	-26	14	2
Other	39	3	-33	-8
Sum delimitations	**-77**	**-23**	**-19**	**-6**
Taxes	-45	21	8	23
Interest payments etc	-10	-7	-1	16
Sum accruals	**-56**	**15**	**7**	**39**
Central government net lending	**31**	**11**	**-95**	**-17**
Per cent of GDP	**0.5**	**0.2**	**-1.5**	**-0.3**

Source: the Debt Office

Table 16 Budget balance forecast per month

SEK billion

Month	Primary balance	Net lending	Interest on government deb	Budget balance
February 24	53.3	-1.2	0.1	52.2
March 24	-11.0	2.6	-2.7	-11.1
April 24	-27.2	2.4	-1.7	-26.4
May 24	41.4	-4.5	-3.1	33.8
June 24	-35.4	7.8	-4.4	-32.0
July 24	-1.2	8.5	0.2	7.4
August 24	33.3	6.9	-0.3	39.8
September 24	-16.1	6.1	-2.7	-12.6
October 24	-58.3	5.2	0.6	-52.6
November 24	21.9	8.8	-2.7	28.0
December 24	-15.6	-54.5	-4.6	-74.7
January 25	-30.0	1.0	0.4	-28.6

Source: the Debt Office

Table 17 Budget balance changes between years, effect on budget balance

SEK billion

Changes between years, effect on budget balance	2022	2023	Forecast 2024	Forecast 2025
Budget balance, level	**164**	**19**	**-84**	**-50**
Change from previous year	86	-145	-103	34
Income from taxes	79	-6	-3	77
Grants to local governments	-4	0	-16	5
Labour market	9	2	-3	0
Social insurance	-11	-3	-12	-2
State share dividends	-1	-26	0	3
Other	4	-13	-50	-54
Sum primary balance	**76**	**-47**	**-84**	**29**
Debt Office's net lending	**39**	**-93**	**-29**	**12**
Interest on government debt	**-29**	**-5**	**11**	**-8**

Source: the Debt Office

Table 18 Budget balance forecast comparison

SEK Billion

Forecast	Budget balance	Sale of state assets	Adjusted budget balance
Debt Office: 2024	-84	0	-84
Debt Office 2025	-50	0	-50
Government: 2024	-7	5	-12
Government: 2025	-38	5	-43
NIER: 2024	-89	0	-89
NIER: 2025	-100	0	-100
ESV: 2024	-20	0	-20
ESV: 2025	-62	0	-62

Note: Publication date is for the National Debt Office 2024-02-22, the Government 2023-09-20, the National Institute of Economic Research (NIER) 2023-12-20, The Swedish National Financial Management Authority (ESV) 2023-11-17.

Source: The Debt Office

Table 19 Total gross borrowing requirement

SEK billion

Total borrowing requirement, gross	2021	2022	2023	Forecast 2024	Forecast 2025
Net borrowing requirement (budget balance with opposite sign)	**-78**	**-164**	**-19**	**84**	**50**
Trade date adjustment etc.[1]	**7**	**1**	**-25**	**26**	**0**
Retail funding & collateral, net[2]	**5**	**4**	**-5**	**-1**	**0**
Treasury bills	173	107	65	123	148
Liquidity management instruments	132	68	89	97	80
Sum of money market redemptions[3]	**305**	**176**	**154**	**220**	**227**
Nominal government bonds	0	108	103	2	84
Inflation-linked bonds	-1	22	0	0	33
Green bonds	0	0	0	0	0
Foreign currency bonds[4]	41	61	64	0	0
Sum of bond redemptions, net switches and buy-backs	**40**	**192**	**167**	**1**	**117**
Total gross borrowing requirement	**279**	**209**	**273**	**330**	**394**

[1]A difference occurs as borrowing is reported by business date while net borrowing requirement is reported by settlement date.

[2]Net change in retail borrowing and collateral.

[3]Initial stock maturing within 12 months. Liquidity management is net, including assets under management. Liquidity management includes Commercial paper.

[4]Calculated with the original issuance exchange rate.

Source: The Debt Office

Table 20 Net borrowing requirement and net borrowing

SEK billion

Net borrowing requirement and net borrowing	2021	2022	2023	Forecast 2024	Forecast 2025
Net borrowing requirement (budget balance with opposite sign)	-78	-164	-19	84	50
Business day adjustment[1]	7	1	-25	26	0
Total	**-71**	**-163**	**-44**	**110**	**49**
Retail funding & collateral, net	**-5**	**-4**	**5**	**1**	**0**
T-bills	-65	-42	58	25	10
Commercial paper	-31	0	53	-53	0
Liquidity management	-32	21	-46	36	47
Sum of net money market funding	**-129**	**-21**	**65**	**7**	**57**
Nominal government bonds	83	-62	-59	71	-4
Inflation-linked bonds	22	-13	9	9	-25
Green bonds	0	0	0	0	0
Foreign currency bonds	-41	-61	-64	21	21
Sum of net bond market funding	**63**	**-137**	**-114**	**101**	**-8**
Total net borrowing	**-71**	**-163**	**-44**	**110**	**49**

[1]A difference occurs as borrowing is reported by business date while net borrowing requirement is reported by settlement date.

Source: The Debt Office

Market information

Table 21 Nominal government bonds, auction date

Announcement date	Auction date	Settlement date
21-Feb-24	28-Feb-24	01-Mar-24
06-Mar-24	13-Mar-24	15-Mar-24
20-Mar-24	27-Mar-24	02-Apr-24
03-Apr-24	10-Apr-24	12-Apr-24
17-Apr-24	24-Apr-24	26-Apr-24
15-May-24	22-May-24	24-May-24
12-Jun-24	19-Jun-24	24-Jun-24

Table 22 Inflation-linked government bonds, auction date

Announcement date	Auction date	Settlement date
29-Feb-24	07-Mar-24	11-Mar-24
16-Feb-24	08-Mar-24*	12-Mar-24
14-Mar-24	21-Mar-24	25-Mar-24
11-Apr-24	18-Apr-24	22-Apr-24
25-Apr-24	02-May-24	06-May-24
08-May-24	16-May-24	20-May-24
23-May-24	30-May-24	03-Jun-24
05-Jun-24	13-Jun-24	17-Jun-24

Note: *Exchange auction

Table 23 T-bills, auction date

Announcement date	Auction date	Settlement date	Due date
28-Feb-24	06-Mar-24	08-Mar-24	19-Mar-25
13-Mar-24	20-Mar-24	22-Mar-24	
27-Mar-24	03-Apr-24	05-Apr-24	17-Jul-24
10-Apr-24	17-Apr-24	19-Apr-24	
08-May-24	15-May-24	17-May-24	21-Aug-24
22-May-24	29-May-24	31-May-24	
05-Jun-24	12-Jun-24	14-Jun-24	18-Jun-25
19-Jun-24	26-Jun-24	28-Jun-24	
26-Jun-24	03-Jul-24	05-Jul-24	16-Oct-24

Note: The Debt Office introduces a new 12-month bill every three months maturing on an IMM date. In the other months, a new three-month bill will be introduced. The Due date column indicates the maturity date for the new bill. In addition to the new bill introduced, the National Debt Office may also sell another bill with a different maturity date.

The Swedish National Debt Office is the central government financial manager and the national resolution and deposit insurance authority. The Debt Office thus plays an important role in the Swedish economy as well as in the financial market.

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