



Meeting a rapidly growing deficit

*Central Government Borrowing –
Forecast and Analysis 2020:2*

19 May 2020

Recession in Sweden and rest of the world

The crisis leads to large budget deficit in 2020

Increased issuance in all debt instruments

The pandemic is the starting point for the forecast

- Closed borders
- Social distancing
- Assumption:
gradual phase-out
after summer

Cumulative confirmed cases of Covid-19



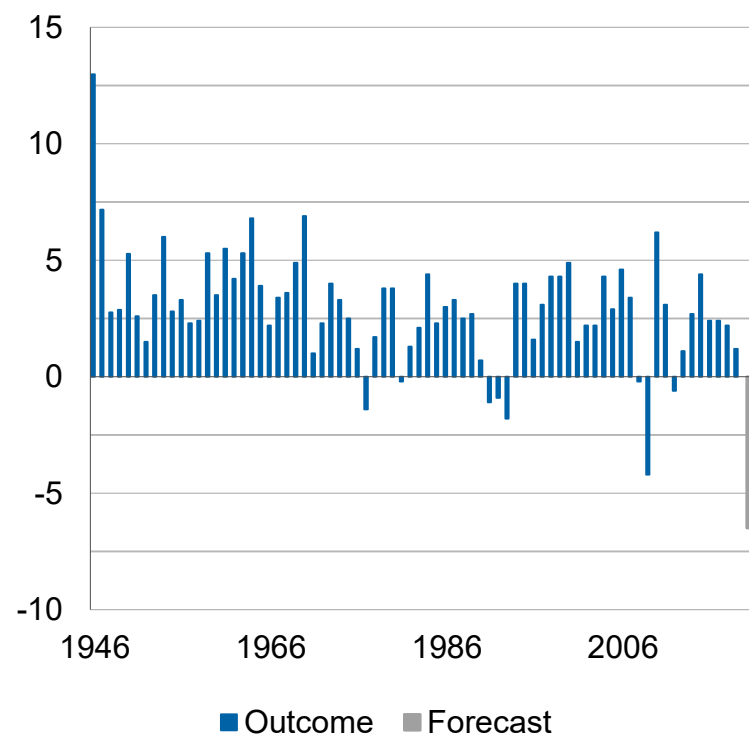
Source: Johns Hopkins dashboard (as of 13/5-20)

Recession in Sweden and rest of the world

- Sharp and deep fall in economic activity
- Effects of the crisis very unevenly distributed
- Major consequences for the labour market

Lowest GDP growth of post-war era

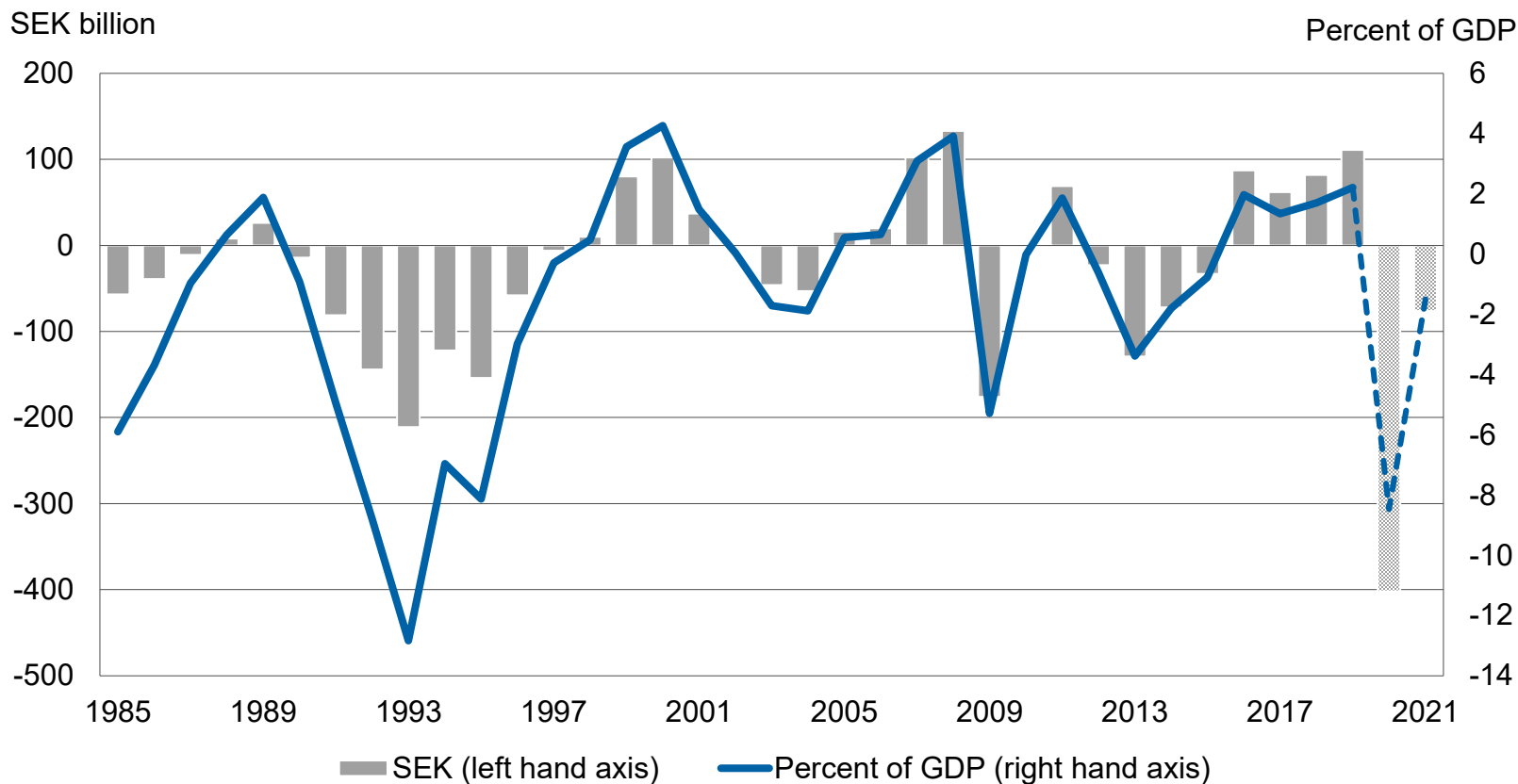
Annual percentage change



Sources: The Swedish National Debt Office and Statistics Sweden

Crisis leads to large deficit

Central government budget balance

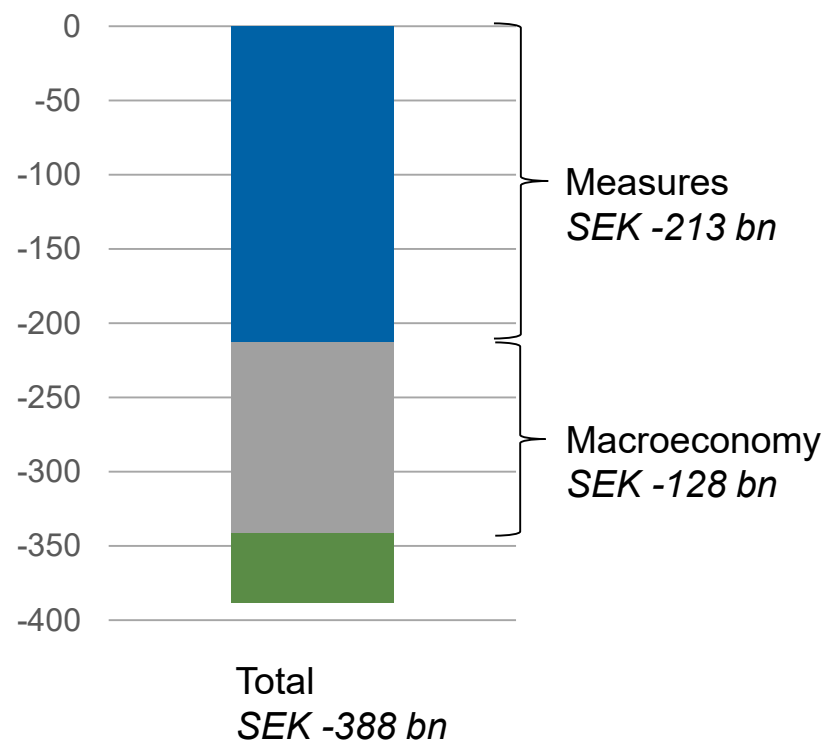


Sources: Swedish National Debt Office, Macrobond, Statistics Sweden and the Swedish National Financial Management Authority

Crisis measures account for half of the revision

- Yes, central government finances are cyclically sensitive
- But, fiscal policy measures play a bigger role in this year's deficit
- Measures with the largest impact on this year's budget balance:
 - Short-time work allowance
 - Support for loss of turnover
 - Reduction in employer's contributions
 - Grants to local authorities

Changes in 2020 budget balance compared with previous forecast

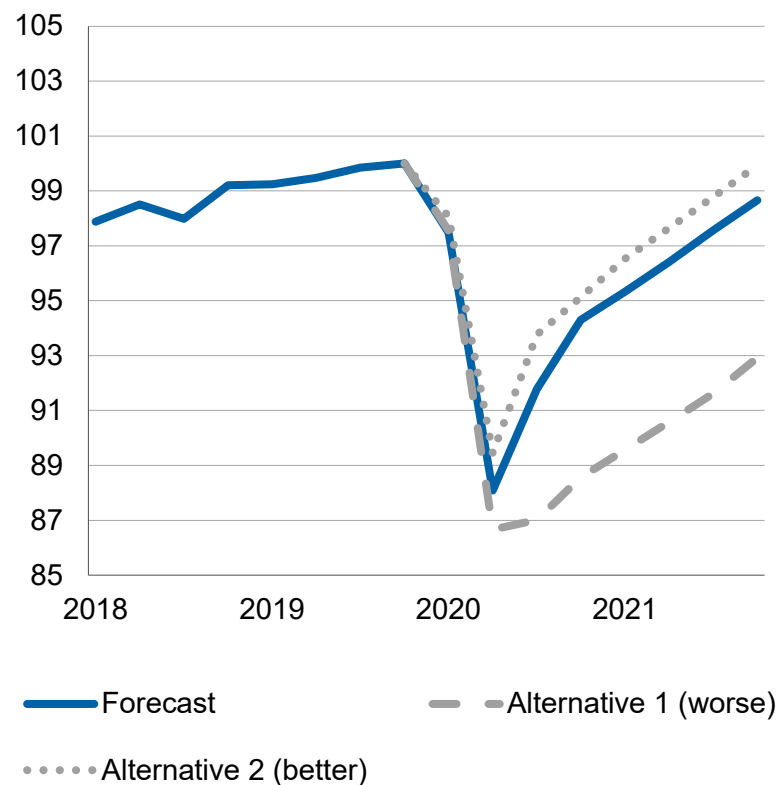


Risks for larger deficits tip the scales

- The pandemic is the most important factor for macroeconomic developments
- Uncertainty regarding fiscal policy measures
 - Final effect of measures already implemented?
 - Extent of measures yet to come?

GDP level, forecast and alternative scenarios

Index = 100 Q4 2019

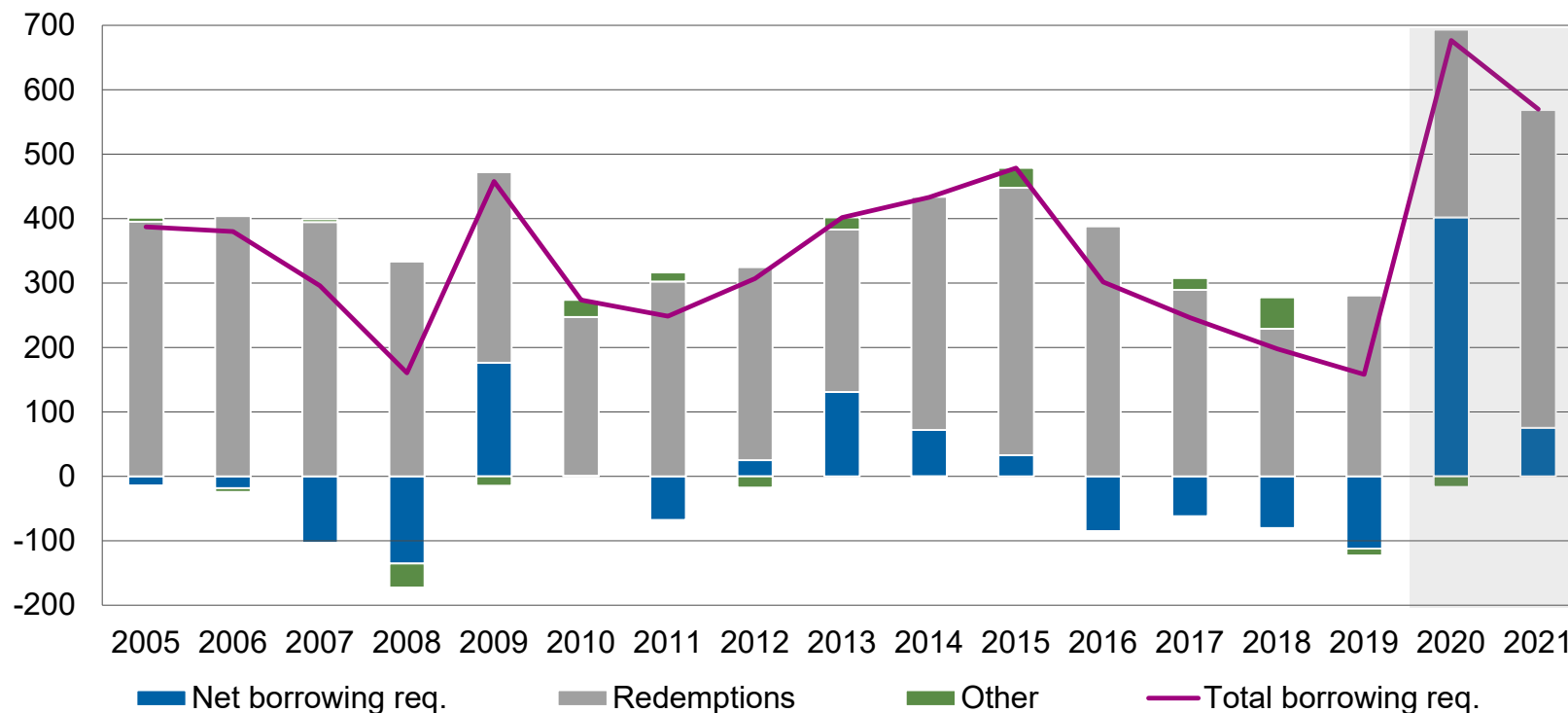


Sources: Swedish National Debt Office and Statistics Sweden

Sharp increase in total borrowing requirement

Gross borrowing requirement

SEK billion



Source: Swedish National Debt Office

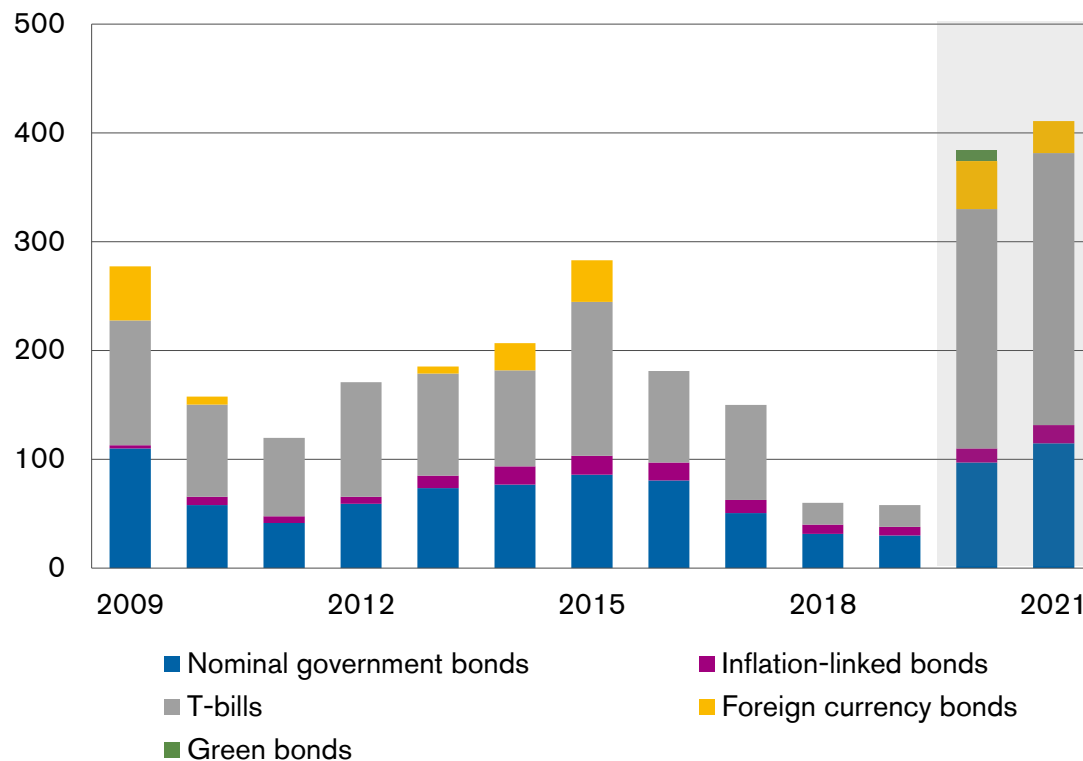
Note: Net borrowing requirement is budget balance with opposite sign

Borrowing in all debt instruments increases

- Raised auction volumes for both T-bills and bonds
- New 25-year bond
- Green bond as a complement
- Foreign currency borrowing rises
- Flexibility in cash management

Issuance volumes

SEK billion



Source: Swedish National Debt Office

Note: Foreign currency bonds exclude on-lending to the Riksbank

Green bond to complement regular issuance

- One issue in 2020
- Proceeds linked to defined green budget expenditures
- Preparations under way – framework, selection of expenditures, etc.
- Selection of green expenditures determines scope for size of issuance
- Conservative assumption of issuance volume of at least SEK 10 billion – could be up to twice that amount



Process for green bond

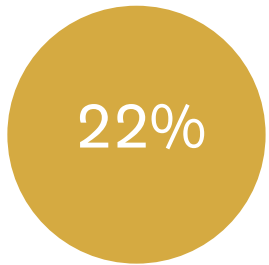
Well-prepared to cope with great uncertainty



Highest credit rating



Various funding channels



Low debt



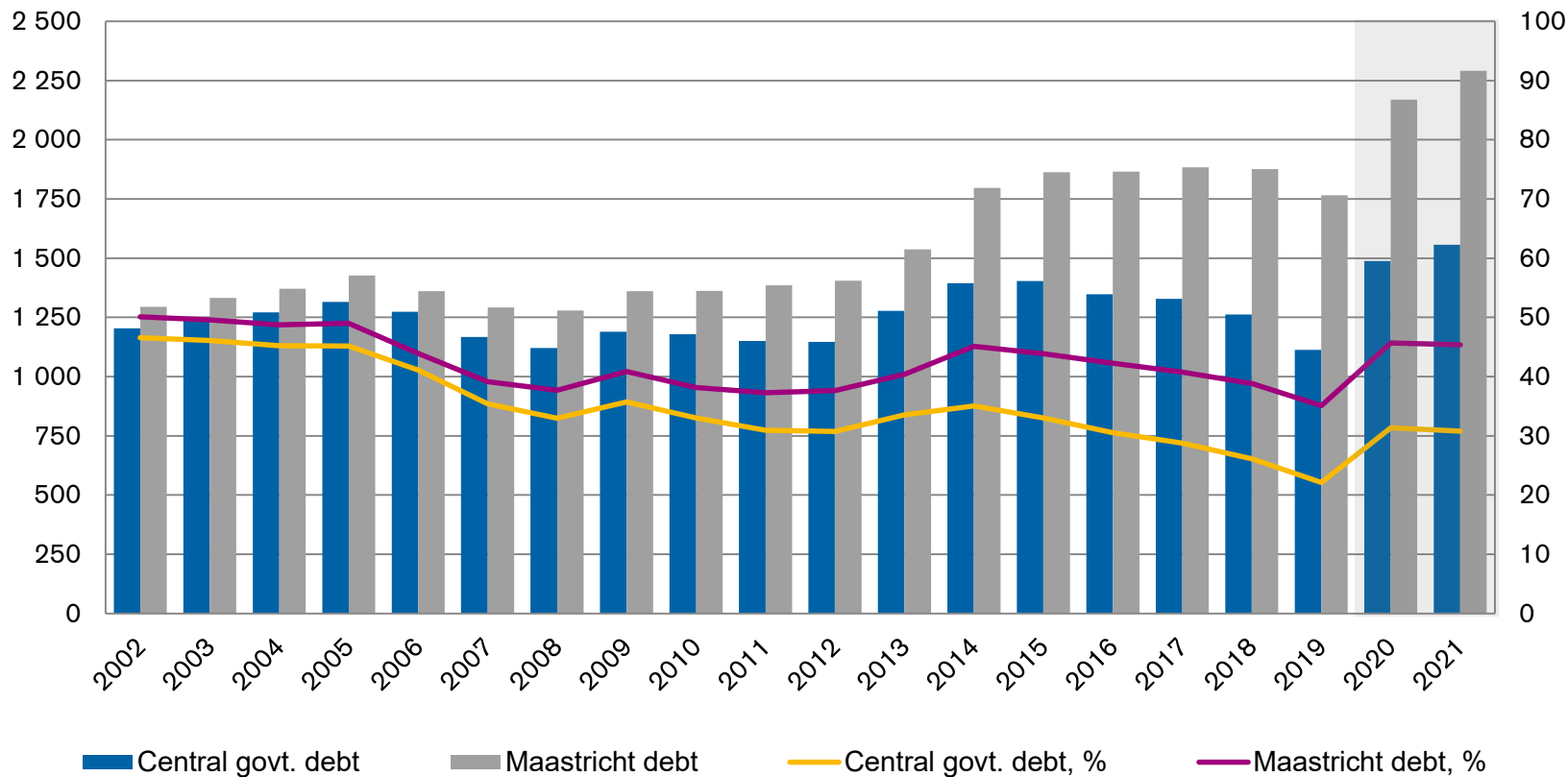
Well-established issuer

Swedish government debt rises from low level

Government debt development

SEK billion

Per cent of GDP



Source: Swedish National Debt Office and Statistics Sweden

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