

DANMARKS NATIONALBANK

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STRATEGY ANNOUNCEMENT

Central government borrowing strategy 2022



Target for bond issuance at kr. 65 billion

The target for sales of domestic government bonds is kr. 65 billion.



Opening of the first green bond

The list of on-the-run issues is expanded with a green 10-year nominal government bond. In addition, a new inflation-linked bond will be opened.



Target at kr. 35 billion for the short-term loan programmes

The T-bill programme is adjusted such that a new 6-month T-bill will be opened every third month. Going forward, the programme will consist of two issues. The commercial paper programmes are kept active.

The target for issuance of government bonds is kr. 65 billion

The target for sales of government bonds is kr. 65 billion at market value via auctions and tap sales. Issuance will be evenly distributed over the year, and the target is average sales of around kr. 2.5 billion per auction. The remainder of the borrowing requirement will be covered via T-bills, commercial papers (CP) and by drawing on the central government's account, see table 1.

Opening of 10-year green bond

On 19 January 2022, the central government will open a green bond with a coupon rate of 0.00 per cent and maturity on 15 November 2031. Read more about green bonds on Danmarks Nationalbank's website ([link](#)). The green bond will be opened via auction in line with the central government's other domestic bonds. At the auction, the total sale will not exceed kr. 5 billion at nominal value. Afterwards, the green bond will be included in the central government's on-the-run issues.

The expected green bond issuance volume is up to kr. 15 billion out of the total sales target of kr. 65 billion.

Opening of new inflation-linked bond

A new bond will be opened during the 2nd half of 2022, linked to the Danish consumer price index, CPI. Read more about inflation-linked bonds in Danmarks Nationalbank's analysis ([link](#)). It will replace the existing inflation-linked on-the-run bond maturing in 2030.

The strategy is to gradually build up the outstanding volume of the new inflation-linked bond to at least kr. 20 billion over the coming years via auctions, tap sales and switch auctions.

Broadened list of on-the-run issues with continued focus on 2-year and 10-year bonds

Issuance will continue to be concentrated in the 2-year and 10-year nominal bonds. The opening of the green bond and the new inflation-linked bond broadens the list of on-the-run issues and will ensure a diversified investor base.

The central government may also issue in the 30-year nominal bond in 2022, see table 2. The 5-year maturity segment will no longer be included in the list of on-the-run issues to focus the issuance on the remaining on-the-run issues.

Borrowing requirement and financing 2022

Table 1

Borrowing requirement	Kr. billion
Net financing requirement	-47
Net purchase of bonds financing social housing	24
Redemption of bonds, etc.	99
Redemption of T-bills and CP	70
Borrowing requirement	146
Financing strategy	
Sale of government bonds	65
Sale of T-bills and CP	35
Sale of EMTN	12
Government account	34
Financing	146

Note: *Redemption of bonds, etc.* includes redemptions and buybacks of government bonds in both domestic and foreign currency, payments from the central government in currency swaps and net purchases of government funds. Details may not add up because of rounding.

On-the-run issues in 2022

Table 2

Maturity segment	On-the-run issues
Maturity < 1 year	T-bills
2-year nominal	0.00 per cent 2024
10-year nominal	0.00 per cent 2031
10-year green nominal	0.00 per cent 2031
30-year nominal	0.25 per cent 2052
Inflation-linked	0.10 per cent 2030i/ X per cent 2034i

Note: In the 2nd half of 2022, X per cent 2034i will become the new inflation-linked on-the-run issue. Thereafter, 0.10 per cent 2030i becomes off-the-run issue.

In 2022, two on-the-run issues will by default be offered at all ordinary auctions. There will still be an opportunity to supplement with a third issue, if deemed fit.

The government bonds to be auctioned will be announced no later than three trading days prior to the auction. As of 1 January 2022, the time of announcement will change from 17:10 to 16:00.

The target for short-term issuances is kr. 35 billion

In 2022, the target is an outstanding amount of kr. 35 billion in the central government's short-term loan programmes by year-end. The issuances will primarily be in T-bills supplemented by commercial papers.

The T-bill programme is adjusted such that a new 6-month T-bill will be opened every third month. The first new 6-month T-bill will be opened at the auction with value date on 1 September 2022. Going forward, the programme will consist of two issues as opposed to the current four 12-month issues. Two monthly T-bill auctions will be held in 2022.

The commercial paper programmes are kept active, but are expected to account for a smaller share of total short-term borrowing.

Switch auctions

The central government will hold two switch auctions per month in 2022. In these auctions, investors can switch off-the-run issues to on-the-run issues. Calendar dates will be announced in line with auctions in T-bills and government bonds. Papers will be announced no later than one trading day before the switch takes place. Switch auctions make it possible to increase the outstanding volume in the bonds faster and support the liquidity in the government bond market.

Buy-back

Buy-back may take place in government bonds via auctions or tap in 2022. Buy-back auctions of 0.25 per cent 2022 will be held at the end of each month.

Foreign loans

The strategy is that the central government will issue bonds in foreign currency under the EMTN programme during 2022. The issuance will ensure that the central government maintains strong and diversified market access in foreign currency funding. As described above, the central government will continue to issue under the commercial paper programmes.

By continuously issuing in the foreign loan programmes, they are maintained as an active part of the central government's and Danmarks Nationalbank's liquidity reserve.

Robust debt profile maintained

The robust central government debt profile will be maintained. The target band for the average duration in 2022 is set at 10.25 ± 0.5 year, calculated without discounting.

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WORKING PAPER

Working Paper presents research projects by economists in Danmarks Nationalbank and their associates. The series is primarily targeted at professionals and people with an interest for academia. Working Paper is published continuously.

The analysis consists of a Danish and an English version. In case of doubt regarding the correctness of the translation the Danish version is considered to be binding.

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