RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

24 February 2021

CENTRAL GOVERNMENT BORROWING

Forecast and analysis 2021:1

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 while avoiding excessive 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 how much the government needs to borrow and sets up a plan for borrowing that is also included in the report. The Debt Office borrows to cover deficits in the central government budget (the net borrowing requirement), in part to repay maturing loans.

On the fifth working day of each month, the central government budget balance for the previous month is published in a press release. The outcome is compared with the forecast from Central Government Borrowing – Forecast and Analysis and any deviations are explained. 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 2021:1, the Debt Office presents forecasts for central government finances and borrowing in 2021 through 2022. An assessment of the macroeconomic development is given in the first section. The next section presents forecasts for the budget balance and the underlying analysis. These forecasts serve as the basis for borrowing, which is discussed in the last section of the report.

The report takes into account developments up to 10 February 2021.

Hans Lindblad
Debt Office Director General

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Summary

The Swedish economy continues to recover after a temporary dip during the beginning of the year. The pandemic still remains at the forefront of the development ahead, but less so than previously. The Debt Office expects GDP to return to the same level as before the crisis, in the second half of the year, which is in line with the previous forecast. The labour market also improves as GDP grows again, but the recovery is expected to be slow.

The economic crisis and the fiscal policy measures have an impact on the budget balance, which continues to show a deficit this year. However, the deficit is not as large as in the previous forecast, which is largely due to the foreign currency loans raised by the Debt Office on behalf of the Riksbank, which are maturing without being refinanced. Next year, the budget balance is expected to return to a surplus.

Because the foreign currency borrowing for the Riksbank will cease, the Debt Office is going to redistribute part of its own bond borrowing from kronor to foreign currency in order to maintain a presence in the international capital market. This means that the issuance volume of nominal government bonds will decrease, instead of increasing as previously announced. Otherwise, no major changes are being made to the borrowing.

Key figures for the economy, government finances and borrowing

Previous forecast in italics	2020		2021		2022	
Swedish economy and government finances						
GDP(%)	-2,8	*-3,5*	2,4	*3,8*	4,0	*3,4*
Unemployment (% of labour force)	8,3		8,6	*9,2*	7,5	*8,2*
Budget balance (SEK billion)	-221		-63	*-80*	30	*-25*
Central government net lending (% of GDP)	-3,4	*-3,8*	-2,7	*-2,2*	-0,9	*-0,2*
Central government debt (% of GDP)	26	*27*	26	*27*	25	*26*
Central government borrowing, SEK billion						
Government bonds	100		96	*105*	90	*110*
Inflation-linked bonds	13		21	*21*	21	*21*
Money market funding (outstanding stock at year-end)	173		185	*188*	225	*175*
Foreign currency bonds	43		17	*61*	17	*58*
on behalf of the Riksbanken	43		0	*61*	0	*58*
for central government	0		17	*0*	17	*0*

The Swedish economy continues to recover

The recovery in the Swedish economy continues after a temporary dip at the beginning of the year. By mid-year, GDP reaches the same level as before the crisis, which is in line with the Debt Office's previous assessment. The effects on the labour market, however, are expected to be more long-term and the inflationary pressure is expected to remain moderate in the coming two years. However, the pandemic means that uncertainty remains high.

The pandemic and the spread of the coronavirus continue to affect Sweden and the world. After the sharp and deep drop last spring, the Swedish economy recovered during most of the second half of 2020, the recovery began to slow again just before year-end. The slowdown was largely a consequence of the tighter restrictions implemented when the spread of infection gained new momentum in the autumn. The same pattern was also seen in many other countries and regions.

The economic activity in Sweden and globally has, however, not been affected to the same extent by the second, or in some cases third, wave of infection as it was by the first. To some degree, this is due to the already low level of activity in several sectors, explaining the smaller decrease. In Sweden and most other countries, restrictions were already relatively high, which meant that the impact of even stricter ones was not especially strong. In addition, the level of uncertainty is lower than in the spring, the manufacturing industry has recovered and global supply chains have been maintained.

The pandemic will continue to affect the economic recovery in Sweden and globally. Until the spring, the spread of infection is expected to decline as the vaccination rollout progresses and, accordingly, restrictions are gradually eased. As a result, the recovery is expected to accelerate again, supported by expansionary fiscal and monetary policy. However, just as before, the development is likely to vary among industries, sectors, countries, and regions. The uncertainty regarding the pandemic's development remains high.

Uneven recovery in the surrounding world

World trade and global output have recovered strongly and significantly faster than after the 2007–2009 global financial crisis (see Figure 1). The service sector, however, has not rebounded in the same extent.

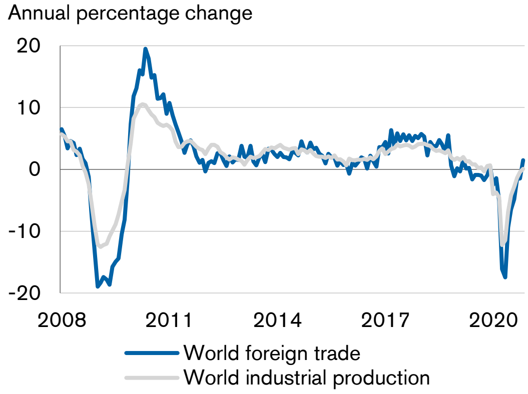
Development has also been uneven between different regions and countries, where developed economies have coped with the crisis better than emerging economies. The International Monetary Fund (IMF) calculates the loss of GDP during the pandemic to be the lowest for the US, by just over 1 per cent, and the highest for emerging and developing Asia (excluding China), by around 8 per cent.[1] This difference is largely due to developed countries having been able to limit the

[1] The calculation compares the GDP level prior to the crisis with that expected by the IMF for 2022, in its assessment from 26 January 2021.

negative impact of the pandemic to a greater extent and support the real economy with the help of fiscal and monetary policy.

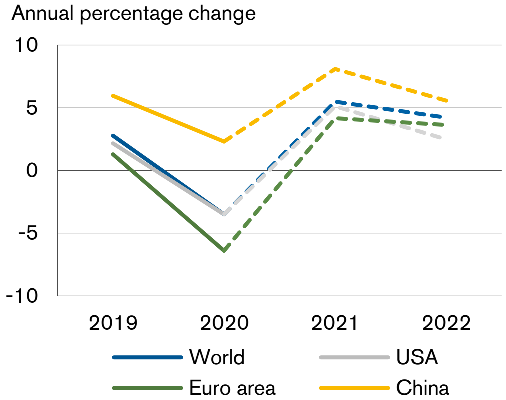
There are also substantial differences in the rate of recovery between the economies that have best coped with the crisis. China has been the quickest to recover, whereas it has taken longer for the US and even longer for the euro area. Recovery is expected to continue during 2021 followed by somewhat reduced growth in 2022 (see Figure 2).

Figure 1. World trade and world industrial production



Source: CPB World trade monitor.

Figure 2. Realised and projected GDP



Sources: World GDP 2020: IMF estimate. GDP for USA, Euro area and China 2020: Bureau of Economic Analysis (advanced GDP), Eurostat (preliminary GDP) and Bureau of statistics China. GDP projections for 2021 and 2022: IMF Economic Outlook January 2021.

The US economy is resilient, despite a high level of infection

The decline in the US economy has not been as deep as in other regions and the recovery has also been relatively quick, despite widespread infection. One explanation may be that the restrictions to limit contagion have been relatively mild. But in the same way as in other countries, the service sector has been hit harder than the manufacturing industry.

Following strong growth in the third quarter, economic activity expanded in a slower pace in the fourth quarter as a result of an increase in the spread of infection and the failure of fiscal policy stimulus measures to materialise due to the lack of political unity. The result of the US presidential election and the Democratic majority in Congress indicate, however, that the potential for expansionary fiscal policy is increasing, which should benefit recovery. At the same time, falling retail sales show that the increased rate of infection has had a greater effect on household consumption than optimism about coming fiscal policy stimulus has.

Despite the decline in the US economy, housing prices rose sharply in 2020, indicating that at least a portion of households have coped well with the pandemic and been able to take advantage of the low interest rate. Household savings have also been at historically high levels despite unemployment having only partially recovered from the high levels of the spring. This underlying strength of household finances is expected to give rise to an upswing in the recovery once activity in society normalises.

The pandemic has hit the euro area hard

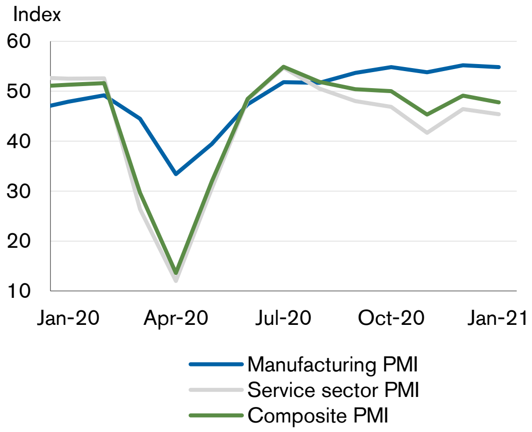
The euro area has been hit hard by the pandemic and the extensive restrictions and lockdowns imposed in a large number of countries. As a result, economic activity has fallen more than in other major economies (see Figure 2).

Just as in other regions, the closures in the service sector have been substantial during both waves of infection. The manufacturing sector, however, has continued to recover strongly, and leading indicators show a continued positive trend. This is likely because, among other things, workplaces have not been closed down to the same extent as during the first wave. However, the positive development within the manufacturing sector is not sufficient to completely counteract the closure in the service sector in the second half of the year. For example, the composite purchasing managers' index (PMI) falls short, as a whole, of the index value of 50, indicating contracting economic activity (see Figure 3).

The continued high level of infection, delays in vaccination and continued restrictions are likely to impede recovery at least during the first quarter. As in the US, there is however an underlying economic strength among European households, which is likely to strengthen the recovery when the pandemic subsides. The labour market, for example, has recovered from the deterioration in the spring and household savings are also at historically high levels.

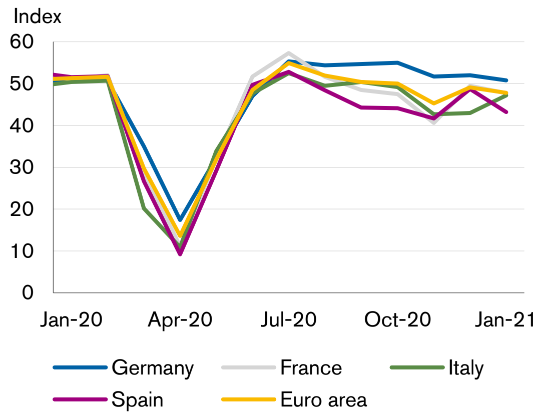
But there is also great variation within the euro area in terms of how the countries have recovered and their prospects ahead. Recovery for countries with a relatively large dependency on tourism and consumer-related services, such as Italy and Spain, is expected to be weaker than for example Germany, where industry accounts for a larger part of the economy (see Figure 4).

Figure 3. Purchasing managers' index in the euro area



Source: Markit.

Figure 4. Composite PMI output index



Source: Markit.

China leads the recovery, but the rate of expansion has started to slow

In China, the recovery has been rapid and during the fourth quarter of 2020, annual growth was again at the level prevailing before the crisis. Although growth for the full year 2020 is not expected to reach previous years' growth figures, the recovery has been faster and stronger than in other economies. This may be due in part to the fact that the country has not been hit to the same extent by subsequent waves of infection, such as the USA and Europe.

The recovery is largely driven by export, which has risen sharply thanks to the high global demand of medical equipment and home electronics as well as the recovery in recent months in the global goods trade. State-financed public infrastructure projects have also contributed to the recovery. However, recent purchasing managers' index figures show that the rate of expansion has started to slow.

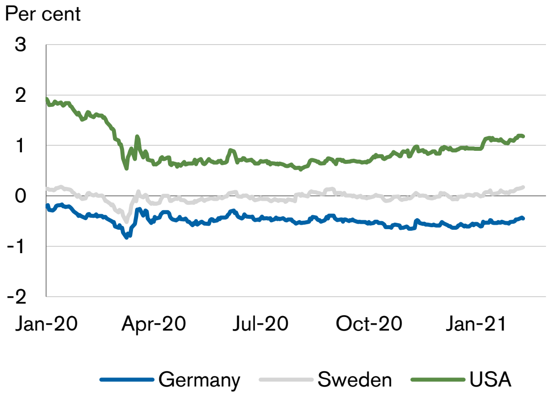
Expansionary financial conditions support the recovery

During the pandemic, the financial markets have been supported by comprehensive fiscal and monetary policy stimulus measures. This has contributed to upholding growth optimism and demand for risky assets elevated among market participants. In late august, positive news about vaccines and the hope of aggressive expansionary fiscal policy in the US also contributed to the development. The optimism has manifested in, among other things, rising share price trends in the world's stock markets.

Expectations of accelerating growth have contributed to rising yields on long-term US government bonds. Europe and Sweden, however, are not experiencing the same growth optimism as in the US, and, in broad terms, long-term yields have remained unchanged in Sweden and Germany, although they have risen somewhat lately (see Figure 5). However, the ECB's asset purchases have reduced the yield differential between the European countries' government bonds.

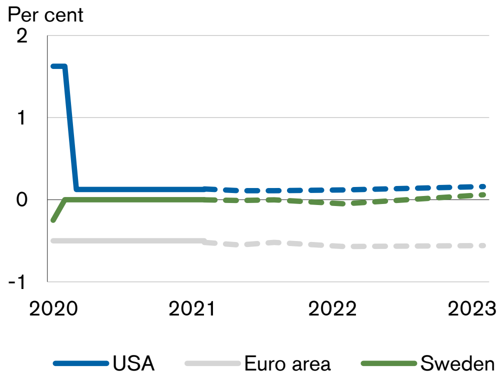
The expansionary monetary policy is also evidenced by the fact that credit spreads for companies with good creditworthiness have fallen to levels from before the crisis. Credit spreads for companies with lower creditworthiness have also fallen but still remain at higher levels than prior to the crisis.

Figure 5. Yields on 10-year government bonds



Sources: Macrobond financial AB and US Department of Treasury.

Figure 6. Actual and market implied policy rates



Note: Implied rates based on market pricing on 10 February 2021.
Sources: Central banks and Bloomberg.

The expansionary monetary policy is expected to continue

Both the US Federal Reserve (Fed) and the European Central Bank (ECB) have communicated that they will support recovery by keeping policy rates unchanged and continuing with asset purchases, which is showed in market implied policy rates (see Figure 6). The new monetary policy framework introduced in the US last year also, i.e. average inflation targeting allowing for periods of overshooting the inflation target, gives the Fed the opportunity to conduct expansionary monetary policy further along into an economic expansionary phase. The ECB is also carrying out a review of its monetary policy strategy. In Sweden, the Riksbank has, for some years, already opened up for a similar stance, within the framework of a flexible inflation targeting policy.

The financial conditions are expected to continue to be expansionary as a result of the stimulating monetary and fiscal policy. However, negative news about vaccination and the spread of infection could reduce optimism about future growth and the desire to hold risky assets, thereby adversely affecting the expansionary conditions.

The pandemic continues to divide the Swedish economy in two

The Swedish economy recovered rapidly in the second half of 2020, after the historical drop last spring. In the fourth quarter, however, the rate of infection gained new momentum, and a number of new and more stringent restrictions have since been introduced. The measures suppress, above all, the consumption of certain services.

Despite several of Sweden's most important export countries having simultaneously imposed new and extensive lockdowns, the assessment is that the impact on the real economy will be significantly milder now during the second wave of the pandemic. This is because the uncertainty is lower than it was last spring and the effects of further stricter restrictions are also relatively milder. These factors help to maintain production. Furthermore, the downturn in the economy is expected to be short. A key assumption in the Debt Office's forecast is that the spread of infection will abate in the spring. The combination of gradually increasing immunity in the population as a result of vaccination, good adherence to social distancing, and warmer weather all support this. The restrictions can thereby be gradually eased and the recovery can take hold once again in the second quarter.

Table 1. GDP and its components, constant prices, forecast

Percentage change[1]	2019	2020	2021	2022
GDP	**1.3**	**-2.8**	**2.4**	**4.0**
Household consumption	1.3	-3.9	2.0	4.7
General gov. consumption	0.3	-1.8	2.4	1.3
Gross fixed cap. formation	-1.2	-1.4	3.3	5.5
Change in inventories[2]	-0.1	-0.7	0.0	0.0
Export	3.6	-5.1	5.2	6.9
Import	1.2	-6.5	5.6	7.0
Net exports[2]	1.1	0.4	0.0	0.2
GDP (calendar adj.)	**1.4**	**-3.0**	**2.2**	**4.0**

Table 2.GDP and its components, forecast, revisions compared to the October forecast

Percentage points	2019	2020	2021	2022
GDP	**0.1**	**0.8**	**-1.4**	**0.6**
Household consumption	0.0	1.0	-2.9	2.5
General gov. consumption	0.2	-2.9	-0.4	-0.8
Gross fixed cap. formation	-0.2	3.6	-0.8	0.3
Change in inventories[2]	0.0	-0.1	-0.2	0.0
Export	0.3	2.1	1.6	1.2
Import	0.1	1.6	0.8	2.3
Net exports[2]	0.1	0.3	0.4	-0.4
GDP (calendar adj.)	**0.1**	**0.8**	**-1.4**	**0.6**

[1] Actual change compared to previous year.
[2] Change as a percentage change of GDP previous year.
Sources: Statistics Sweden and the Debt Office.

The Debt Office's assessment is that GDP contracted by 2.8 per cent in 2020 and will grow by 2.4 per cent in 2021 and 4.0 per cent in 2022. The increased contagion at the end of the last year slows the recovery temporarily. Despite this, the economy reaches the pre-crisis level in the third quarter of 2021, which is the same assessment as in the Debt Office's previous forecast. This reflects the fact that the development in the autumn was stronger than the Debt Office estimated, but also the extensive fiscal policy stimulus measures announced and implemented to mitigate the economic impact of the pandemic.

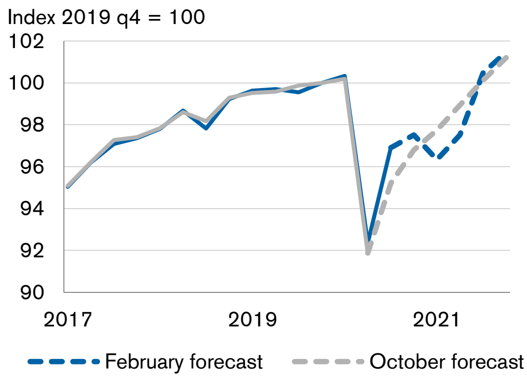
Further ahead in the forecast, household consumption becomes an increasingly important driver as a result of a pent-up need for consumption and good purchasing power, due among other things to the labour market getting stronger. Investments also make large contributions to growth. Next year, trade and industry will drive investments, growing the most rapidly within services in particular. Fiscal policy is expected to be neutral this year and contractionary next year. Financial conditions are at the same time expected to continue to be very expansionary during the forecast period.

Even as the labour market grows stronger, the pandemic will have long-lasting effects, which above all affect the weakest groups. Parts of the service sector have been hit the hardest by the pandemic, such as the hotel and restaurant business. Other staff-intensive industries with many temporary employees, young people and foreign-born have also been hit hard. Altogether, unemployment is expected to subside relatively slowly at the same time as long-term unemployment gains ground at a higher level, according to the Debt Office's assessment.

The second wave causes a new drop in GDP

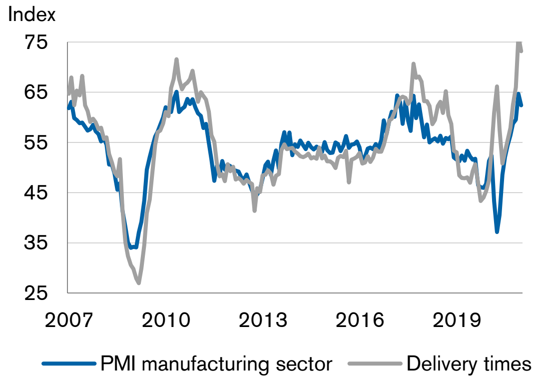
Statistics Sweden's activity indicator shows continued growth in the Swedish economy during the fourth quarter of 2020. GDP growth is, however, expected to be negative during the beginning of 2021. But the slowdown is not as drastic as that of last spring. One reason for this is that the activity level throughout the entire economy, but mainly in the industries hit hardest by the first wave, is significantly lower than it was before the pandemic, thereby limiting the extent of the drop (see Figure 7).

Figure 7. GDP



Note: Seasonally adjusted data.
Sources: Statistics Sweden and the Debt Office.

Figure 8. Business confidence



Note: Seasonally adjusted data.
Source: Swedbank.

With time, households and companies have adapted to the circumstances of the pandemic in various ways. This is reflected in confidence indicators, especially within the manufacturing industry, having risen to very high levels despite widespread infection. Additionally, the order intake of export companies is high despite new and extensive lockdowns in several important export countries. One explanation is that the second wave has not caused extensive suspensions in production or problems in global supply chains. Purchasing managers' indexes (PMIs) are near cyclically peak levels, especially within the manufacturing industry, where confidence in December was the highest since 2010 and only one-tenths below the highest measurements recorded. A partial explanation, however, is that companies are reporting long delivery times, which may nevertheless indicate that there are some disturbances in production within the industry (see Figure 8).

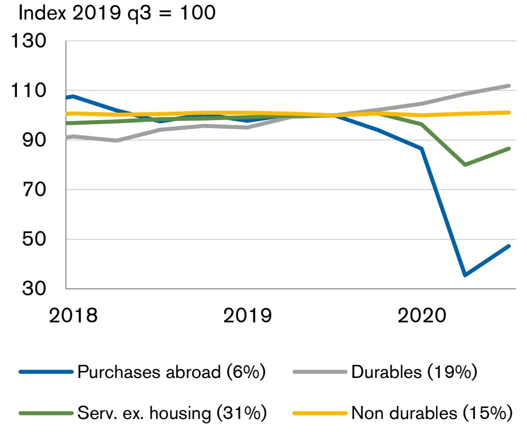
As previously, the National Institute of Economic Research's (NIER) Economic Tendency Survey indicator shows a weaker picture than the PMIs. According to this indicator, the situation is assessed to be weaker than normal in all industries except the manufacturing industry. One explanation for the difference between the PMIs and NIER's economic tendency indicator is the selection of companies. In the PMIs, large more export-oriented companies are asked to participate whereas the Economic Tendency Survey also includes responses from smaller companies.

Recovery lags for divided consumption

Household consumption is heavily affected by the pandemic. The decline in the first half of 2020 is the largest recorded. Despite a strong recovery during the third quarter, consumption remains at around 4.5 per cent lower than prior to the crisis. At the same time, there is a clear division between the different parts of consumption. The grocery trade and consumption closely related to the home have barely been affected at all, while consumption of clothing and footwear as well as hotel and restaurant services remains far below the pre-crisis levels. Within tourism, the drop is very sharp; Swedes' consumption of tourism abroad has decreased by 60 per cent (see Figure 9). Foreigners' consumption of tourism in Sweden has decreased by around 50 per cent (but does not include household consumption).

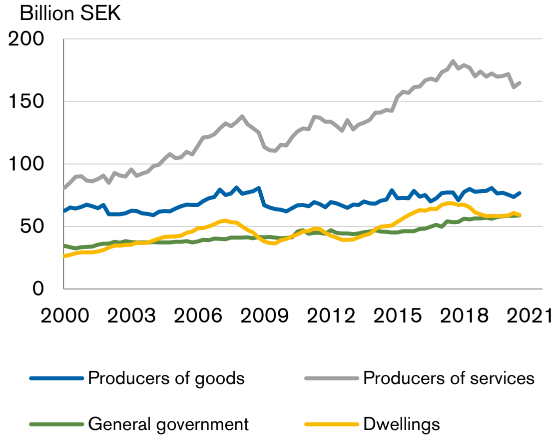
The tighter restrictions in combination with recommendations for social distancing have resulted in falling consumption at the end of 2020, according to Statistics Sweden's consumption indicators. The same parts that fell in 2020 will likely also drop during the beginning of 2021. Consumption of services in areas that involve close contact and rely heavily on staff, such as hotels, restaurants and events services are affected, which not least affects the hospitality industry in the major cities. Consumption abroad is also expected to fall once again and dampen consumption overall for some time to come. Given the new virus mutations, new and extended travel restrictions have been imposed and the Swedish Ministry for Foreign Affairs has announced an extension of its advice against travel to countries outside the EU, to 15 April.

Figure 9. Household consumption by activity



Note: Seasonally adjusted data, constant prices.
Source: Statistics Sweden.

Figure 10. Investments



Note: Seasonally adjusted data, constant prices.
Source: Statistics Sweden.

Savings as a share of household disposable income increased last year and are expected to continue to do so this year. In a situation in which inflation remains low and incomes are rising more rapidly – both as a consequence of normalised dividends and recovery in the labour market – purchasing power is developing well. When the pandemic does subside, this will thereby allow substantial room for consumption, and household consumption will become an increasingly important driver of recovery. Despite this, the scenario remains in which household consumption does not return to pre-crisis levels until some time in 2022.

The housing market slows the fall in investments

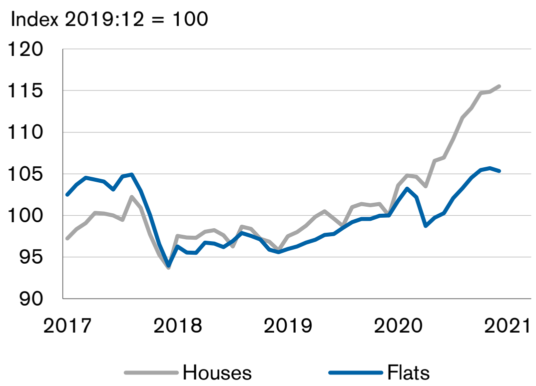
Compared with previous economic downturns, investments have fallen modestly in relation to the general decline in the economy (see Figure 10). In the second quarter, investments fell by close to 5 per cent, driven by machinery investments, which fell by close to 20 per cent. A large part of the decline was, however, recovered in the third quarter. In conjunction with Statistics Sweden publishing of the national accounts for the fourth quarter, the picture may, however, be revised as more information is available for the full year.

The normal cyclical pattern is for the housing market to be weakened by deep recessions. That has not been the case this time. Housing investments, which constitute around 20 per cent of the total, have so far resisted the effects of the crisis well. Housing prices have risen sharply during 2020, particularly for small houses (see Figure 11). There is much to indicate that housing prices will continue to rise. The supply of primarily small houses is low and demand is high. The high demand likely reflects in part a trend of relocation from major cities in the wake of the increase in working from home. Added to that are continued low interest rate expectations and good development of households' incomes and financial wealth. In light of this, housing construction is also expected to increase in periods ahead and contribute to rising investments. State infrastructure initiatives and investments in defence are also expected this year. Next year, trade and industry drives investment, particularly within the service sector.

The export of goods rises while the export of services develops weakly

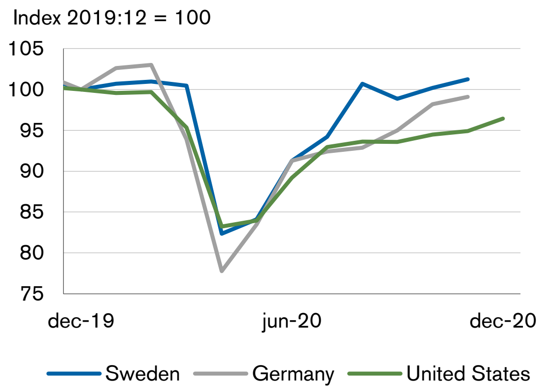
Export also fell sharply in the second quarter but recovered from much of the decline in the third quarter, driven by the export of goods. As a whole, however, export was at around 9 per cent below the pre-crisis level as a result of the weak development in the export of services. New restrictions likely mean that services export will fall again. Additionally, the recovery may take time because the decline in, for example, travel services could become structural. Thanks to the strong export of goods, however, the contribution to GDP from foreign trade is expected to be neutral this year and positive in 2022.

Figure 11. Home prices



Note: Seasonally adjusted data,
Source: HOX Valueguard.

Figure 12. Industrial production



Note: Seasonally adjusted data, constant prices.
Sources: Statistics Sweden and Macrobond.

The recovery in goods export is also reflected in industrial production, which has completely recovered from the sharp drop last spring (see Figure 12). However, a second wave of infection is expected to temporarily halt some production. According to responses to the extra questions in the Economic Tendency Survey, some services areas such as hotels and restaurants will see major losses of net income as was the case in the spring, while industry stays resilient. However, a similar decline to that of the spring, when industrial production fell by approximately 15 per cent, is not expected

The labour market recovers slowly

The labour market has not deteriorated as much as first feared. As the activity in the real economy dampens, unemployment is expected to rise somewhat in the near future, to then fall back gradually when GDP grows again. At the same time, the assessment remains that the recovery in the labour market will be slower than in the real economy. Unemployment is distinctly above the level prior to the pandemic at the end of the forecast period as well, according to the Debt Office's forecast. Added to that is the risk of the higher level of long-term unemployment becoming permanent.

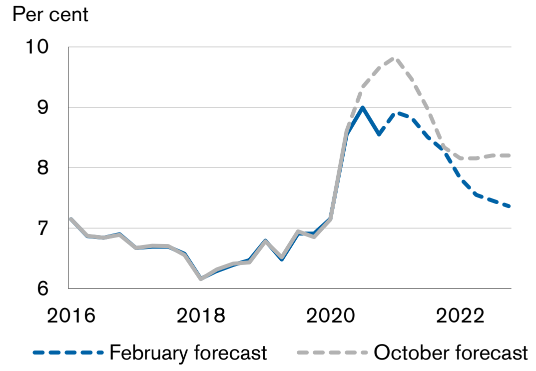
A new upswing in unemployment is to be expected

The drop in demand this spring has had a major effect on the labour market. Employment has fallen and unemployment has risen by approximately 2 percentage points. After the stabilisation in the summer, unemployment decreased somewhat during the autumn. The short-time work allowance programme – a furlough scheme – which allows employers to apply for aid to reduce staff hours during the temporarily lower demand and thereby avoid permanent layoffs, has mitigated the upswing in unemployment. When the situation was at its worst in May 2020, 270,000 people received the aid, according to the Labour Force Survey, corresponding to just under 5 per cent of the labour force. In December, the number with short-time work allowances had fallen to 59,000.

The restrictions implemented in late august, which are expected to remain in place during the winter and much of the spring, once more affect mainly services areas that rely heavily on staff and close contact, such as hotels and restaurants. Young people and foreign-born, not infrequently with a low level of education, make up a large portion of those employed in these areas. The fact that groups with a weaker connection to the labour market are hit harder by the crisis increases the risk over time of long-term unemployment growing more than it would have otherwise (see the box). The impact is, however, mitigated by the possibility of an extension of the short-time work allowance programme with a higher compensation level from the government.

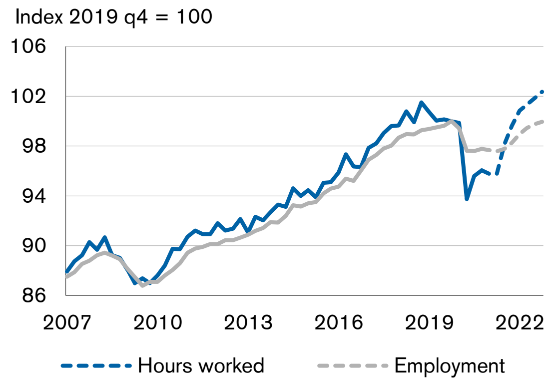
Altogether, unemployment is expected to rise slightly over the spring to just below 9 per cent, to then fall back gradually as the recovery takes hold. Measured as annual average, unemployment is expected to be 8.3 per cent for 2020, 8.6 per cent in 2021, and 7.5 per cent in 2022. (see Figure 13).

Figure 13. Unemployment



Note: Seasonally adjusted data.
Sources: Statistics Sweden and the Debt Office.

Figure 14. Employment and hours worked



Note: Seasonally adjusted data.
Sources: Statistics Sweden and the Debt Office.

Divided outlook for employment

Employment will move laterally in coming quarters, according to the Debt Office's forecast. In several service industries, employment plans have again shifted downwards to historically low levels, indicating that companies are going to reduce the number of employees in the short term. At the same time, there are signs of recovery in industry; after falling sharply during the initial stages of the crisis, employment plans in the manufacturing industry are back to normal levels. Nevertheless, it remains to be seen whether a combination of temporarily lower demand in the wake of the second wave will also lead to the industry choosing to postpone new hiring.

The labour market normally reacts to business cycle fluctuations with several quarters' delay following the fluctuations in economic activity, a delay that is likely to be more prolonged this time. Companies' short-time work allowances, which are extended to 30 June 2021, entail a small need for new hiring during the initial phase of the recovery. This is also reflected in the number of hours worked having fallen significantly more than the number of those employed (see Figure 14). When the recovery comes, companies might therefore meet the rising demand through increasing the average working hours of existing staff. Accordingly, in the initial recovery phase, the number of hours worked is expected to grow faster than employment.

There is a risk that the discontinuation of the short-time work allowance programme, scheduled for mid-year, will lead to a new wave of staff cuts. Last year, however, the number of those furloughed under the programme dropped sharply from the peak levels of early summer without unemployment rising. Altogether, the assessment is that there will be no improvement in employment in the coming quarters, followed by a rapid rise during 2022 as employment in the service sector recovers.

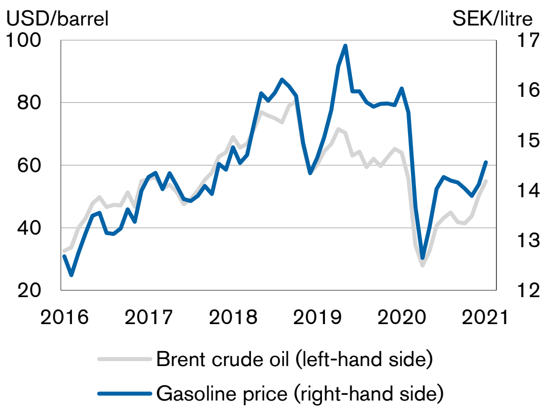
Inflation rises to moderate levels

CPIF inflation has been low in 2020 – a development largely due to lower gasoline and electricity prices (see Figure 15). But the pandemic has also caused prices for services, from restaurant visits to accommodation and travel abroad, to develop poorly. Periodically, demand for certain services has been so low that it has been difficult to measure the price development. This phenomenon also means that the uncertainty and variation in inflation has been higher than normal.

During the beginning of 2021, CPIF inflation is assessed to rise because of base effects, as the declines in energy prices on an annual basis gradually stop affecting the measure. Services prices are also presumed to gradually strengthen in pace with the improvement in the economic development. The change in the CPI basket that occurs every January will also boost inflation somewhat as a result of the altered consumption pattern in 2020 affecting the weighting.

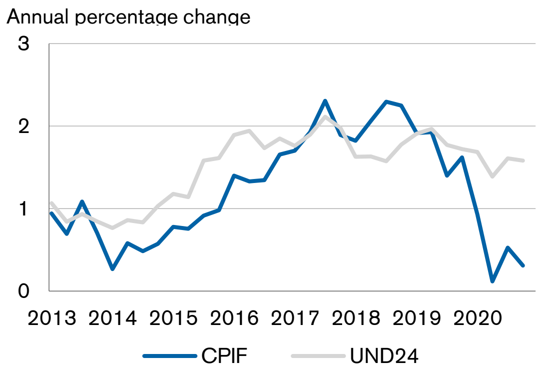
Simultaneously, several factors continue to indicate that inflation will be moderate for a few quarters ahead. Low resource utilisation in the Swedish economy, in combination with moderate wage increases, contribute to reducing cost pressure in the coming year. Both inflation expectations and measures of underlying inflation indicate inflation of around 1.5 per cent in the near future (see Figure 16). Futures pricing of both crude oil and electricity also indicate a weak price development during the forecast period. Also the strengthened Swedish krona is assessed to have a suppressive effect on inflation.

Figure 15. Oil price and gasoline price



Sources: Intercontinental Exchange (ICE), OK-Q8 AB and the Debt Office.

Figure 16. Inflation



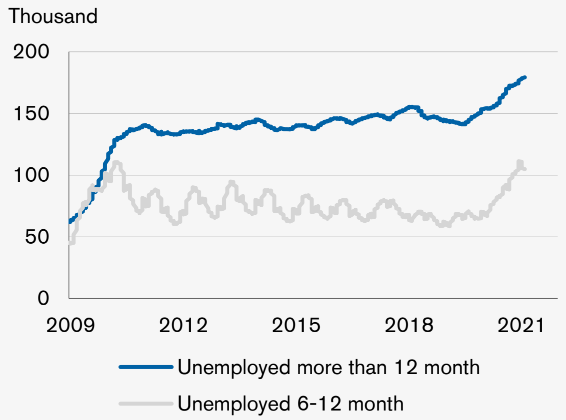
Note: UND24 is calculated by the Riksbank and is constructed such that goods and services which vary a lot in price receive a lower weight in the index. Quarterly data.
Sources: Statistics Sweden, the Riksbank and the Debt Office.

The pandemic leads to rising long-term unemployment

The pandemic has hit the labour market hard, and unemployment risks becoming permanently higher, even after the real economy has recovered. In Sweden, long-term unemployment – those who have been without work for at least 12 months – increased sharply in conjunction with the 2008–2009 global financial crisis, to subsequently remain at a high level. At the end of 2019, long-term unemployment began to increase again, among other things as a result of lower activity in the economy. In February 2020, before the pandemic hit, the number of people registered as long-term unemployed was 154,000, corresponding to 37 per cent of total unemployment. This can be compared with 55,000 people in the autumn of 2008.

Today, the number of long-term unemployed is close to 180,000. The crisis has above all reduced demand in several industries in which entry-level jobs and temporary employment are common. These are areas such as hotels, restaurants, and trade, in which groups with lower education, youth and foreign-born are overrepresented, i.e. groups with a relatively weaker connection to the labour market.

Figure 17. Number of long-term unemployment



Source: Swedish Public Employment Service.

Mostly there are indications that long-term unemployment is going to continue to increase in periods ahead. A large group of people, over 100,000, have been unemployed between six and 12 months. As competition for jobs now stiffens and companies place new and higher demands on the skills of the labour force, not least in regard to digitalisation and automation, a large portion of these people risk long-term unemployment. The Debt Office's assessment is that the number registered as unemployed for longer than 12 months may exceed 200,000 during 2021. If so, this would account for more than 40 per cent of the unemployed. Later on in the recovery process, the share of long-term unemployed could also increase further when others who have been unemployed get jobs more quickly as the economy gains strength.

The development can, among other things, have long-term consequences if the transition from school to the labour market is delayed. It has been shown that being unemployed for a longer period early in one's working life makes it more difficult to enter the labour market at all. With time, the labour force is replenished with new people, thereby pushing those who became unemployed earlier farther back in the cue. Additionally, studies show that the risk of unemployment later in one's working life increases from having been long-term unemployed.

The crisis indeed entails that the number of long-term unemployed – a group with a fundamentally weak connection to the labour market – is growing. This, in turn, means that it will take longer for unemployment to come down to the levels from before the pandemic.

The pandemic entails continued high uncertainty

The pandemic remains the largest source of uncertainty in the forecast. Just as previously, the uncertainty is linked to the spread of infection and the measures taken to curb it. Several vaccines have indeed been approved and vaccination has begun, but it will take more time to reach the levels of vaccination required to be able to ease the restrictions. A further aspect is that it is uncertain how effective the vaccines are against the different variants that have become prevalent.

Another uncertainty factor concerns the transition from crisis policy to recovery policy, i.e. the rate at which, and order in which, the various economic policy measures are to be phased out. The policy trade-offs are as important as they are difficult. Removing the measures too early could slow recovery. Keeping them in place for too long risks a build-up of imbalances in the economy that could have an adverse effect on the real economy over time.

An imbalance of this kind is the rapid rise in many asset prices, not least as a result of the central banks' extensive asset purchases, which have pushed interest rates down to very low levels. Housing prices and share prices have, for example risen sharply despite the weak development of the real economy. As a result, indebtedness among Swedish households has continued to rise. Furthermore, the fiscal policy measures have created rising national debts in many countries. The measures, both the monetary and fiscal policy ones, have also caused growing indebtedness for companies, in Sweden and other countries. High indebtedness increases the vulnerability of the economy and makes it sensitive to, for example, interest rate increases.

At the same time, households have increased their saving significantly during the crisis, particularly in Europe and the US but also to some extent in Sweden. This increase is a kind of buffer, but it is difficult to reach a conclusion about the rate at which saving will decrease when the economy becomes stronger, and to what extent consumption will increase.

If the increased saving is a consequence of certain services no longer being available for consumption in the way they were before the pandemic, saving will likely go down at essentially the same rate as the economy and society open up. If, on the other hand, the increased saving is a result of greater caution given the uncertain situation, or a more permanent change in behaviour, it then becomes less clear at what rate savings might decrease.

Budget remains in deficit 2021

The central government budget continues to show a deficit in 2021, but it will be somewhat smaller than the Debt Office's assessment from October. This is largely because loans raised by the Debt Office on behalf of the Riksbank, to fund the foreign exchange reserves, are maturing without being refinanced. At the same time, GDP is growing more slowly than expected and expenditure for the coronavirus pandemic increases. Next year, there will be a central government budget surplus instead of a deficit, as GDP grows rapidly and the Riksbank continues to repay its loans.

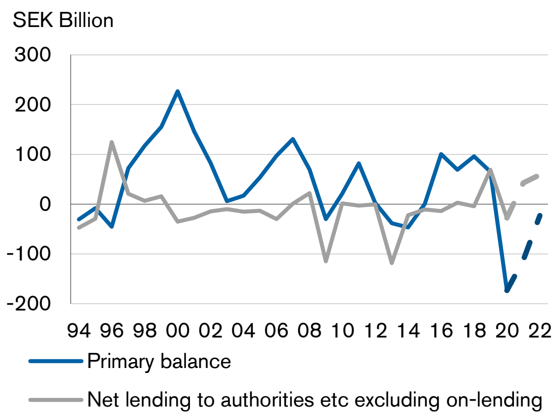
The budget balance has developed better than expected since the Debt Office's previous forecast in October. This is largely due to higher income from taxes as a result of the economy having performed better, and the labour market not deteriorating as much as expected. The primary balance has however never before shown such a large deficit as in 2020, at least not since the mid-1990s. Over the winter, the rate of infection increased again, leading to more restrictions in communities, which delay the economic recovery. At the same time, measures to support businesses and households have been extended. Altogether this causes the primary balance to show a large deficit in 2021 as well.

Table 1. The central government budget balance, forecast 2021 and 2022

	2020	2021		2022	
SEK Billion		feb	(oct)	feb	(oct)
Primary balance[1]	-173	-112	(-66)	-23	(-15)
SNDO Net lending[2]	-28	43	(-19)	59	(-10)
of which on-lending to the Riksbank	-6	57	(-4)	61	(3)
Interest payments	-19	6	(4)	-6	(-1)
Budget balance[3]	**-221**	**-63**	**(-80)**	**30**	**(-25)**
Budget balance excluding on-lending to the Riksbank	**-215**	**-120**	**(-76)**	**-31**	**(-22)**

[1] The primary balance is the net of central government income and expenditure excluding interest payments and net lending by the Debt Office.
[2] Net lending by the Debt Office comprises the net of agencies' and others' lending from and deposits in the central government's internal bank. This comprises both continual central government operations and temporary items, which can be decided on short notice.
[3] The budget balance with the opposite sign is the central government borrowing requirement. The table shows the net borrowing requirement and interest on central government debt with the opposite sign, compared with that shown in Tables 4 and 5.

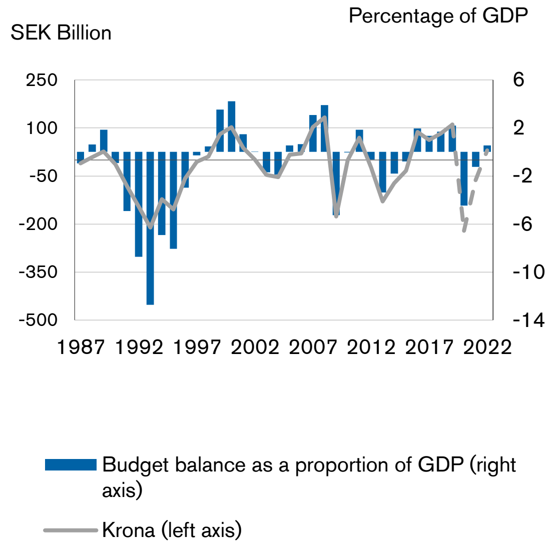
Figure 1. Primary balance and net lending



Note: The primary balance is the net of central government income and expenditure. It does not include interest rate payments, the Debt Office's net lending and income from the sale of state-owned shares.

Source: The Debt Office.

Figure 2. Budget balance over time



Sources: Statistics Sweden and the Debt Office.

The budget balance is significantly affected by the Riksbank's decision to no longer fund its foreign exchange reserves with loans via the Debt Office, and to repay them instead. This increases the budget balance by SEK 57 billion in 2021 and SEK 61 billion in 2022. Therefore, the budget balance becomes less negative in 2021 than in the previous forecast (see Table1). For 2022, the budget balance is assessed to shift from a deficit to a surplus. The change from the previous forecast for next year is primarily due to Riksbank loans but also to higher tax revenues (see Table 2).

New support measures and continued negative net lending

In the Budget Bill for 2021, new unfunded reforms of over SEK 100 billion are proposed. Since the turn of the year, extra amending budgets have been presented by the government, with over SEK 60 billion in measures. The purpose of these measures is to mitigate the economic impact of the pandemic and continue to support the efforts by municipalities and regions towards, among other things, infection tracing and vaccination.

It is the Debt Office's assessment however that not all budgeted funds will be put to use. Altogether, the Debt Office expects that total expenditure will increase by around SEK 40 billion more than in the previous forecast, of which SEK 24 billion is as support for companies (see Table 2). In addition to these measures, the Debt Office assumes that decisions will be made on unfunded reforms of a further SEK 20 billion regarding 2021.

In 2022, many of the temporary crisis management measures will be discontinued, but the Debt Office expects unfunded fiscal policy measures of SEK 50 billion during 2022, which is a higher amount than in the October forecast.

Table 2. Major forecast changes in primary balance

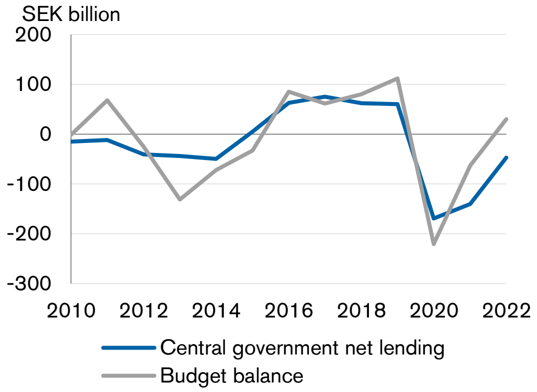
SEK Billion	2021	2022
Forecast October 2020	**-80**	**-25**
Budget balance	**18**	**55**
Primary balance	**-46**	**-8**
Of which:		
Tax income excl. capital investments in tax accounts	-25	24
Capital investments in tax accounts	15	0
Dividends	2	0
Government grants to local governments	0	0
Labour market	2	0
Social insurance	-1	0
Migration	1	0
International aid	0	0
Other	-39	-32
SNDO Net lending	**62**	**68**
Of which:		
On-lending to the Riksbank	61	58
Interest payments	**-1**	**-5**
Forecast February 2021	**-63**	**30**

Note: The table shows changes in terms of budget balance. A positive amount means that the budget balance improves and vice versa.
[1]Includes, inter alia, unspecified fiscal policy measures, business support due to the pandemic and, for 2022, a technical adjustment.

Central government net lending improves gradually during the forecast period as the economy recovers, but it remains negative. Net lending is expected to amount to SEK -140 billion this year and SEK -47 billion next year (see Figure 3). This corresponds to -2.7 per cent and -0.9 per cent of GDP, respectively. The Riksbank's decision to no longer fund its foreign exchange reserves through the Debt Office affects the budget balance and makes it higher during the forecast period. Net lending, on the other hand, is not affected by the Riksbank repaying its loans. Some of the measures also affect central government net lending and the budget balance in different ways. This concerns among other things the opportunity to defer tax payments through credit in tax accounts. The budget balance is a cash flow measure, which is affected when a payment is made, whereas net lending accrues payments. This contributes to the budget balance varying more than net lending.[2]

[2] For more about central government net lending, see the in-depth section in *Central Government Borrowing – Forecast and Analysis* 20:1, the Debt Office, 2020.

Figure 3. Central government net lending and budget balance, 2010–2022



Source: Statistics Sweden and the Debt Office

Table 3. Tax income, change from previous forecast

SEK Billion	2021	2022
Payroll taxes	1	-3
Consumption taxes	-14	-2
Corporate taxes	1	0
Supplementary taxes	2	29
Total	**-10**	**24**

Note: The table shows changes is terms of the budget balance

Lower income from taxes than expected this year but higher next year

Even if tax income since last spring has been higher than expected (see Figure 4), this year's income from taxes is assessed to be SEK 10 billion lower than the assumption in the Debt Office's previous forecast (see Table 3). This is in large part a result of the fact that household consumption is assessed to be slightly weaker than expected, which among other things reduces the income from VAT. Next year, however, tax income is expected to be SEK 24 billion higher than in the previous forecast, as e.g. higher capital income and the repayment of amounts under the extended tax respite boost the supplemental incoming payments.

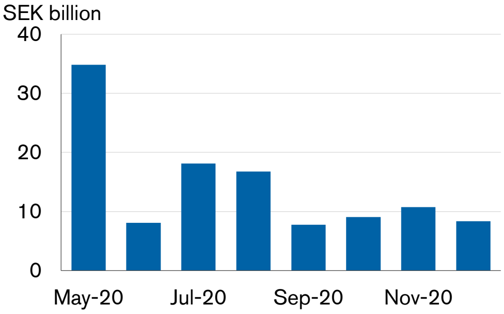
The forecast changes for payroll taxes are relatively small, even if subcomponents have changed to a great extent. The sustained spread of infection and downward-revised real economic development this year mean that payroll (gross wages) is also assumed to grow somewhat more slowly compared with the previous forecast. This entails lower tax on earned income than previously. However, this is counteracted by, among other things, lower payments of municipal tax to local authorities. Altogether, payroll taxes are marginally higher in 2021 than in the previous forecast.

In 2022, as the impact of the economic recovery becomes stronger, payroll also grows more rapidly than in the previous forecast, and thereby also income tax and employers' contributions. At the same time, there are larger disbursements including those made to local governments regarding municipal tax. Altogether, this entails that payroll taxes for the central government in 2022 will be lower than in the previous forecast.

Corporate tax remains at essentially the same level during the forecast period as in the Debt Office's forecast from October 2020. Many industries continue to be affected negatively by the pandemic, but several of these constitute small proportions of the total tax for companies. Profits for companies are expected to increase by 14 per cent this year and 12 per cent next year. The increase in tax income this year and the next becomes, however, smaller as a result of the tax cuts in the 2021 Budget Bill.

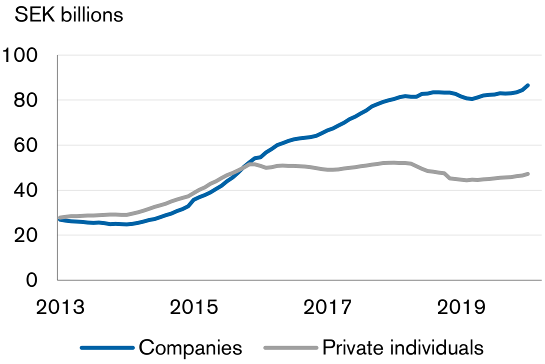
Income from taxes on consumption is lower this year than the Debt Office assessed in its previous forecast. Household consumption does not increase as rapidly as previously assumed, which leads to lower growth in income from VAT. Next year, the economic recovery accelerates, leading to stronger growth in both consumption and investments, and thereby VAT as well. Compared to previous forecast, income from taxes on consumption is still however somewhat lower.

Figure 4. Central government income from taxes, difference between outcome and the Debt Office's forecast



Sources: The Swedish Tax Agency and the Debt Office.

Figure 5. Tax account, balance



Note: 12-month moving average.
Sources: The Swedish Tax Agency and the Debt Office.

Several factors affect the supplementary tax, which has been revised upwards primarily in 2022. The price trend in both the housing and stock markets indicate that capital gains in 2020 were high from a historical perspective. The expansionary fiscal and monetary policy in many countries also implies that asset prices likely will continue to rise. The Debt Office assumes that capital gains will be higher for both 2020 and 2021 than in the previous forecast. This year, dividend income is also expected to increase distinctly compared with the crisis year 2020. This contributes to higher supplemental payments both this year and next.

Furthermore, the rules that apply to the corporate tax payment respite have changed, which is an important explanation for why the forecast for supplementary tax has been increased for 2022. Among other things, the possibility to extend the respite has been presented. The Debt Office assumes that a significant share of the respites will also be extended accordingly, meaning that the amounts will be repaid first in 2022 instead of this year. Also, a larger share of the amounts under the respites than expected was already repaid in 2020. Altogether, these new assumptions regarding the respites have a negative impact on supplementary tax in 2021 but a positive one in 2022.

Moreover, the Debt Office assumes that capital placements in tax accounts are going to increase by SEK 15 billion in 2021, compared to the previous forecast. There are several reasons for this assessment. In part, some net inflow in tax accounts can be seen since last spring (see Figure 5). The interest rate expectations of market participants and the Riksbank's communication also indicate that interest rates will continue to be low. This makes the tax account an attractive placement alternative for many companies. In conclusion, the large amount of capital in circulation in the financial markets, due to among other things monetary policy stimulus, implies increased placements in tax accounts.

New support measures weigh on the budget balance this year

The Budget Bill for 2021 contained broad initiatives of around SEK 100 billion. Since then, the increase in the spread of infection in the autumn and winter also resulted in amending budgets for both 2020 and 2021. To provide further support for municipalities, private individuals and companies, there have been four amending budgets for 2021.

The amending budgets contain initiatives for mitigating the impact of the pandemic. Among other things, the short-time work allowance for companies has been extended until 30 June 2021, the tax respite has been extended, and the reorientation support for companies expanded. The turnover support directed to sole traders has been expanded to also include partnerships and limited partnerships. The amending budgets also contribute funds to coronavirus vaccination and testing.

The funds allocated for the various measures in the amending budgets are significantly lower than they were in the beginning of the pandemic. The Debt Office estimates the cost for the extension of the short-time work allowance at SEK 9 billion in 2021 and the cost for the reorientation support to be SEK 10 billion. In total, the Debt Office estimates that the fees for the various support measures in the four amending budgets will amount to approximately SEK 40 billion this year. In addition to the announced measures, the Debt Office forecasts that there will be reforms for a further SEK 20 billion this year and SEK 50 billion next year.

Rising expenditure this year

This year, expenditure increases, largely as a result of the spread of infection and amending budgets. This concerns, among other things, areas such as the labour market and social insurance. Other measures are aimed at supporting the healthcare during the ongoing pandemic.

Elevated expenditure related to the labour market

The labour market has not deteriorated to the extent that the Debt Office previously assessed it would, which means that labour market-related expenditure is SEK 2 billion lower 2021 compared to the previous forecast. The expenditure for 2022 remains unchanged.

The labour market-related expenditure is assessed however to remain high in both 2021 and 2022. This is mainly due to the high unemployment insurance disbursements, partly because unemployment is high and partly because the cap on income-based remuneration is raised temporarily, at the same time as the requirements to qualify have been lowered. Expenditure for activity grants is also higher than in previous years. The costs of the introduction benefit are, however, lower than normal because migration is low as a consequence of the pandemic.

The pandemic affects social insurance expenditure

Compared to the previous forecast, the social insurance expenditure is altogether SEK 1 billion higher in 2021 and unchanged for 2022.

The Government has proposed an extension of temporary measures within social insurance, so that they apply to the first months of 2021. The state assumes the costs of, among other things, the qualifying day for the sickness benefit and high sick-pay costs. Easing within health insurance, of the 180-day assessment period, has also been introduced leading to higher expenditure in 2021.

However, parental insurance has also been affected by the pandemic, with both a lower number of people receiving the parental benefit in 2020 and a lower amount of parental-benefit days being taken out. The decrease was a break in the trend and may be due to parents being furloughed or unemployed. As the impact of the pandemic is sustained throughout the first half of 2021, the fee for the parental benefit is temporarily low for 2021 as well.

Net lending by the Debt Office decreases sharply

The Debt Office's net lending to agencies etc. is expected to be almost SEK 130 billion lower in total during the forecast period, compared with the previous forecast. This is essentially because the loans raised by the Debt Office on behalf of the Riksbank for funding the foreign exchange reserves will be repaid. Loans of approximately SEK 57 billion in total are expected to mature this year, and of around SEK 61 billion next year. This year, the loans mature in February, March, and November. Next year, the maturities occur in February, September, and October. In March next year, a loan to the Swedish Export Credit Corporation of SEK 10 billion will also reach maturity.

Altogether, net lending by the Debt Office is expected to amount to SEK -43 billion in 2021 and SEK -59 billion in 2022.

Table 4. Net lending by the Debt Office

SEK Billion	2019	2020	2021	2022
Lending, of which	**-62.5**	**40.1**	**-40.6**	**-54.3**
Swedish board of student finance	7.3	9.9	10.2	10.5
Swedish Transport Administration	-1.6	-1.7	4.9	3.8
State-owned enterprises	0.0	10.1	0.0	-10.1
On-lending to the Riksbank	-67.4	6.1	-56.9	-61.5
Other	-0.8	15.6	1.3	2.9
Deposits, of which	**6.2**	**12.5**	**2.7**	**4.3**
Swedish board of student fin., credit res etc	1.2	1.1	1.7	2.1
Resolution reserve	5.8	3.5	3.5	3.6
Premium pension system, net[1]	-0.5	3.5	-2.8	-1.8
Other	-0.3	4.4	0.2	0.4
Net Lending	**-68.7**	**27.6**	**-43.3**	**-58.7**
Net lending without on-lending to the Riksbank	**-1.3**	**21.5**	**13.6**	**2.8**

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

Net lending by the Debt Office

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 if the Debt Office's net lending increases, the budget balance is weakened. 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. Net lending consists of the change of all lending from, and deposits in, the central government's internal bank (treasury), at the Debt Office.

Net lending covers both ongoing central government activities – such as student loans, deposits in the premium pension system and lending to infrastructure investments – and temporary items, such as on-lending to the Riksbank and to other countries. The temporary items may be decided at short notice, and they can contribute to strong variations in net lending from year to year. Net lending by the Debt Office affects the budget balance and central government debt. In contrast, central government net lending is only affected by certain parts of the Debt Office's net lending. For example, the payment and amortisation of student loans affect net lending by the Debt Office but not central government net lending.

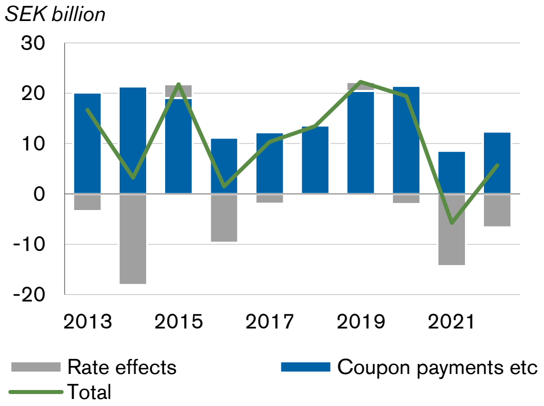
Interest payments remain low

Interest payments on the central government debt will be low during the forecast period. This is due to the impact of gradually falling interest rates over a long period on the stock of outstanding bonds. This year, interest payments are expected to amount to SEK -5.8 billion and SEK 5.7 billion in 2022 (see Table 5 and Figure 6).

Table 5. Interest payments on central government debt

SEK billion	2021	2022
Interest on loans in SEK	-4.1	3.5
Interest on loans in foreign currency	-0.3	-0.5
Realised currency gains and losses	-1.3	2.7
Interest payments	**-5.8**	**5.7**

Figure 6. Interest payments, 2013-2020



Source: National Debt Office.

The forecast this year is somewhat lower compared to the previous forecast. For 2022, interest payments decrease by around SEK 5 billion. This is mainly due to the Debt Office issuing a smaller volume of bonds at a so-called issue premium [3].

Between 2021 and 2022, interest payments increase by around SEK 11 billion. The increase is due, among other things, to the Debt Office paying out inflation compensation for an inflation-linked bond that is maturing, as well as to realised currency losses.

The Debt Office uses cut-off rates in calculating central government interest payments and in measuring the Riksbank's foreign currency loans. The cut-off date for this forecast was 29 January 2021.

Continued high uncertainty regarding development of the central government budget

The forecast of central government finances continues to be uncertain, not least because it is difficult to determine how long the pandemic and the ensuing economic consequences will last. The uncertainty concerns, among other things, in which extent the support measures will be utilised, the economic development and its effects on tax income, and the inflows and outflows of capital in tax accounts.

Regarding the support measures, it is in part difficult to determine the extent to which they will be used and how long they will be in use. Several measures have already been extended.

In addition to the general uncertainty about macroeconomic developments, it is uncertain, among other things, what has caused households to increase their savings and how savings will develop when the crisis subsides (see Chapter 1). Both the overall development of consumption and its composition are judged to be more uncertain than normal.

The inflow into tax accounts has increased in recent periods. Two potential incentives for businesses and households to deposit money in the tax accounts that are reserved for taxes have been the interest rate and the fact that it is a safe placement alternative. Since the Stibor rate is negative at the same time as the amount of liquidity in the financial system has increased and is expected to continue to increase in coming years, it is likely that the net inflow of capital investments in tax accounts will continue. The assessment is associated by significant uncertainty and, given the size of the current stock of capital placements, deviations from the forecast could be relatively large.

[3] Issue premiums arise in issues when the market interest rate is lower than the bond's nominal yield (coupon rate). At issuance, buyers pay a higher price (premium). This means that interest payments initially decrease, but the central government instead pays a higher annual coupon during the bond's term to maturity.

Uncertain when the EU recovery package will reach Sweden

At the end of 2020, the European Union agreed on a record-large stimulus package of EUR 740 billion to help EU countries rebuild their economies after the coronavirus pandemic. The package contains both grants and loans. The structure of the fund (the Recovery and Resilience Facility) differs from other EU money, because it is outside the ordinary long-term budget – and because parts of the fund will be sourced through borrowing in capital markets directly by the EU. The EU countries will thus share joint-indebtedness for the first time, a shift in EU policy. New sources of income shall be identified in order to pay off the loans, and those close at hand are carbon-dioxide tax, digital tax, and the tradable emission rights system.

The size of Sweden's share of the fund has not yet been established because it is partly due to how production and unemployment develop during the pandemic. Countries where production losses have been large and where unemployment has risen sharply receive a larger share. Initially, Sweden's share was judged to be SEK 40 billion, but since the Swedish economy performed better than the European Commission expected, the amount was adjusted down to SEK 33 billion.

In order to be able to use the money, EU countries must submit a plan with defined targets and measurable milestones by April, which must then be approved. The disbursements are then to be made when those targets and milestones are reached. At the time of this report, Sweden has not submitted a plan; therefore, no information is available about when the disbursements might occur. The Debt Office assumes that Sweden will receive SEK 5 billion in disbursements from the support fund in 2021 and SEK 10 billion in 2022. When the Debt Office publish the next report with forecasts for central government borrowing in May, more information should be available.

Bond borrowing is redistributed from kronor to foreign currency

The new forecast for the budget balance does not lead to any significant change in central government borrowing apart from the effects of the Riksbank's decision to no longer fund the foreign exchange reserves via the Debt Office. Because the foreign currency borrowing for the Riksbank will cease, the Debt Office is going to redistribute part of the bond borrowing for its own account from kronor to foreign currency in order to maintain a presence in the international capital market. This means that the issuance volume of nominal government bonds will decrease. Borrowing in inflation-linked bonds remains the same, and short-term borrowing is expected to be approximately as large as in the previous forecast.

As described in the previous chapter, the change in the forecast of the budget balance is mainly due to the Riksbank's repayment of loans from the Debt Office. Aside from this effect, the net borrowing requirement for the 2020–2022 period is somewhat larger than in the October forecast. The total central government borrowing requirement, which also includes the refinancing of maturing loans, is estimated to be SEK 422 billion in 2021 and SEK 454 billion in 2022 (see Figure 1). Table 1 shows how the net borrowing requirement is financed.

Table 1. Borrowing plan

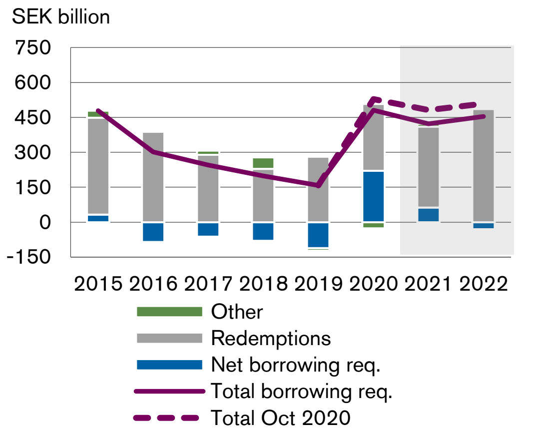
SEK billion	2020	2021		2022	
	Outcome	Feb	(Oct)	Feb	(Oct)
Money market funding	**305**	**289**	**(295)**	**326**	**(319)**
T-bills	173	185	(188)	225	(175)
Liquidity management	132	104	(107)	101	(144)
Bond funding	**176**	**133**	**(186)**	**128**	**(189)**
Nominal government bonds	100	96	(105)	90	(110)
Inflation-linked bonds	13	21	(21)	21	(21)
Green bonds	20	0	(0)	0	(0)
Foreign currency bonds	43	17	(61)	17	(58)
on behalf of the Riksbank	43	0	(61)	0	(58)
for central government	0	17	(0)	17	(0)
Total gross borrowing	**481**	**422**	**(481)**	**454**	**(509)**

Note: Borrowing in the money market equals outstanding stock as per year-end.

The Riksbank's decision with regard to the financing of the foreign exchange reserves entails that the Debt Office will no longer issue bonds in foreign currency on behalf of the Riksbank. In order to still maintain a presence in the international capital market, the Debt Office will instead issue foreign currency bonds on its own behalf for the first time since 2015 (see Figure 2). This in turn means that the issuance volume of nominal government bonds will be lowered, instead of raised as previously announced. The box on page 30 describes the Debt Office's policy for using different debt instruments and adapting the borrowing.

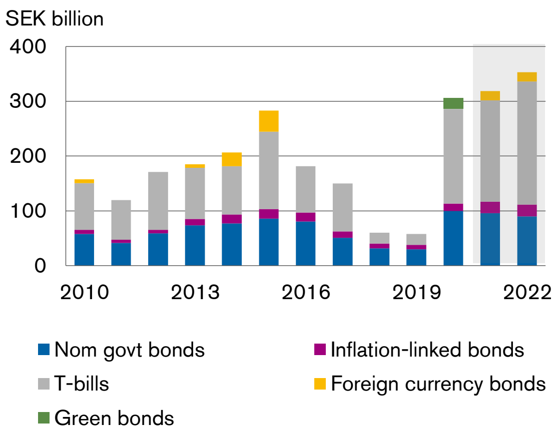
Otherwise, no major changes are being made to the borrowing. The issuance volume of inflation-linked bonds remains at the current level and no new issues of green bonds are planned. The Debt Office has recently submitted a basis for evaluation of the first green bond to the Government, and it has not received a new mandate. Within short-term borrowing, the stock of treasury bills increases in 2022 compared with the October forecast, while the liquidity management instruments decrease.

Figure 1. Gross borrowing requirement



Note: Net borrowing requirement is the budget balance with the opposite sign. "Other" includes an adjustment due to the net borrowing requirement is reported by settlement date while borrowing is reported by trade date.
Source: The Debt Office

Figure 2. Yearly issuance volumes



Note: Borrowing per calendar year excluding on-lending to the Riksbank. The amount of treasury bills refers to outstanding stock at year-end.
Source: The Debt Office

Decrease instead of increase in nominal government bonds

The Debt Office now expects to lower the issuance volume of nominal government bonds from SEK 5 billion per auction to SEK 4.5 billion, starting August 2021, instead of raising it to SEK 5.5 billion as previously planned. It will then remain at that level for the rest of the forecast period. This entails an annual issuance volume of SEK 96 billion in 2021 and SEK 90 billion in 2022, as compared with SEK 105 billion and SEK 110 billion, respectively, in the previous forecast. The reduction in nominal bonds creates scope for issuance in bonds in foreign currency.

The issuance volume nevertheless remains at a level that is significantly higher than in the years prior to the pandemic. Last year's increase likely contributed to market participants judging liquidity in the market to be slightly better in 2020 than in 2019, according to the Debt Office's annual survey. However, at the same time, the Riksbank continued its bond purchases, which meant that the volume of government bonds that could be traded in the market still did not increase during the year. A brief summary of the results of the survey is shown in the box on page 33, where there is also a figure showing the development of the tradable volume.

As for term to maturity, the majority of auctions in 2021 and 2022 will be held in the ten-year segment, but there is continued scope for issuing in other maturities, both shorter and longer (see Figure 3). This also applies to bonds that are not reference bonds (see the box on page 32), so-called "off-the-run" bonds. The Debt Office will also explore the prospects for issuing a bond with a longer maturity (see the box on page 31).

Borrowing policy forms basis of issuance planning

The Debt Office maintains a borrowing policy for, among other things, which types of debt instruments are used and how priorities are made between the instruments and between different maturities.

Nominal government bonds are the most important source of funding
Nominal government bonds are the Debt Office's largest and most important funding source. These are therefore prioritised over other instruments in the borrowing. The Debt Office offers regular issues through auctions according to a pre-determined borrowing plan. Selling smaller volumes on many occasions reduces the risk of needing to borrow large volumes at times when market conditions are unfavourable. At the same time, investors are offered 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 build up sufficient volume in each bond issued, in order 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.

The Debt Office also endeavours to maintain relatively even maturities (redemptions) in its stock of bonds, in terms of both size and time, in order to avoid excessive refinancing needs during individual years.

Inflation-linked bonds are a complement to nominal government bonds
By issuing inflation-linked bonds, the Debt Office can attract investors who want to avoid the risk of inflation eroding the value of their bond holdings. The inflation-linked bond issuance should be large enough to enable good liquid trading conditions in these bonds, yet not so large that it crowds out nominal bonds and worsens liquidity conditions in that market.

For inflation-linked bonds as well, the Debt Office also regularly issues by auction and strives for even maturities (redemptions). In order to facilitate reinvestment at maturity, the Debt Office aims to limit the outstanding volume in each bond maturing to SEK 20 billion.

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 to borrow large amounts in 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 preparedness to borrow large amounts when necessary. The Debt Office also issues securities with shorter maturity in foreign currency.

Because the Debt Office is a small player in the international capital market, as opposed to the Swedish krona market, there are greater opportunities for flexibility and adapting the borrowing according to prevailing market conditions on the international arena.

Treasury bills are used to ward off fluctuations in the borrowing requirement
Using T-bills, the Debt Office can borrow in short maturities in the Swedish krona market. Treasury bills are issued regularly through auctions and can also be sold on-tap within the liquidity management operations. In the planned borrowing, T-bills are used primarily to balance fluctuations in the borrowing requirement. This helps maintain stability in government bond borrowing.

The Debt Office explores prospects for a longer bond

The historically low interest rates have brought to focus the question of whether the Swedish state should issue a bond with a longer term to maturity. Several European nations, such as France and Belgium, have recently issued 50-year bonds in light of increased demand from investors. The Debt Office will therefore explore whether the grounds and preconditions exist for Sweden to also issue a bond of this kind later this year.

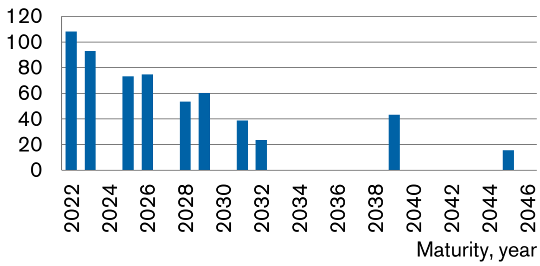
The longest outstanding bond in the Swedish central government debt matures in 2045. There may be justification for issuing a bond with an even longer maturity, as this could be expected to contribute to the objective of minimising the cost of the debt over the long term or reducing the risks.

The Debt Office will analyse the matter and present further information in the next central government borrowing report, to be published in May.

Table 2. Important dates

Date	Time	Activity
19-23 Mar	11.00	Switches from SGB IL 3108
Mar-Apr		Survey on new inflation-linked bond
27 May	09.30	Borrowing forecast 2021:2

Figure 3. Outstanding nominal bonds
Stock, SEK billion



Note: Nominal government bonds as per 29 January 2021.
Source: The Debt Office.

Reference bonds in the electronic interbank market

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

Date of change	2-year	5-year	10-year
Current	1057	1059	1062
2021-09-15			1056

Note: The date of change of reference bonds refers to the settlement date.

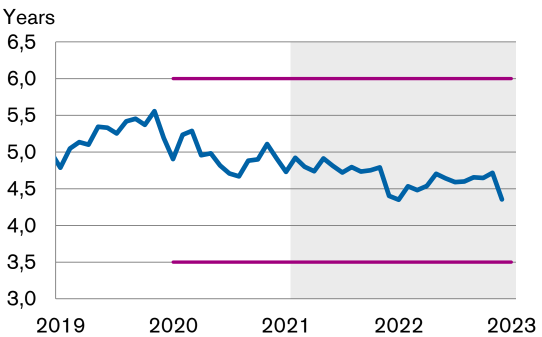
Unchanged volume of interest rate swaps

The Debt Office uses interest rate swaps to adjust the fixed interest period (duration) of the central government debt. For many years, interest rate swaps were used in order to shorten the duration with the aim of reducing the expected cost. However, after the Government decided to progressively extend the duration of the nominal krona debt, the need for swaps decreased. The Debt Office has still kept a small volume of interest rate swaps in order to retain its market presence as well as to maintain its competence and a functioning systems.

The volume of interest rate swaps in kronor is estimated to remain at SEK 5 billion per year, in which the Debt Office receives fixed, and pays floating, interest. The maturity of the swaps is expected to be about three years.

The duration of the central government debt decreases somewhat during the forecast period but remains well within the Government's steering interval, which can be seen in Figure 4.

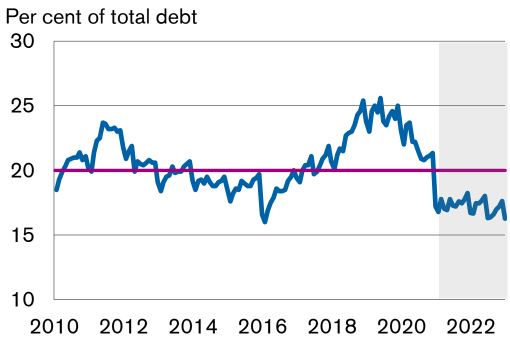
Figure 4. Central government debt duration



Note: The measure used is Macaulay duration. The forecast shows ultimo figures while the outcome shows monthly average. The plum coloured lines indicate the steering interval in the Government's guidelines for debt management.

Source: The Debt Office.

Figure 5. Share of inflation-linked debt



Note: The forecast shows ultimo figures while the outcome shows monthly average. The plum coloured line indicates the target of the inflation-linked debt as a share of total debt.

Source: The Debt Office.

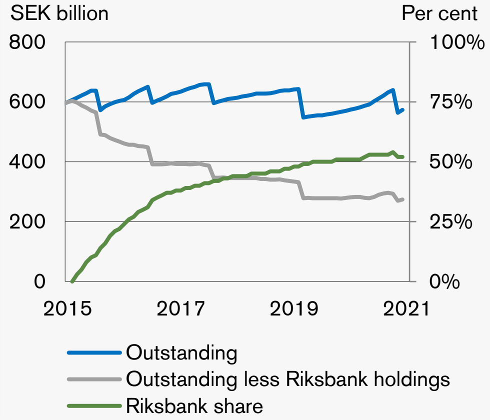
Slightly better liquidity in government securities market

From 2015 to 2020, liquidity in the market for government bonds gradually deteriorated. One explanation for the deterioration is that the Riksbank began buying government bonds for monetary policy purposes at the same time as the Debt Office reduced issuance volumes because of the strong central government finances. Figure 6 shows the development of the Debt Office's outstanding volume of nominal government bonds and the share owned by the Riksbank.

In an annual questionnaire survey commissioned by the Debt Office, market participants rate liquidity in terms of volume, spread (the difference between the bid and ask price) and price transparency. The results of the survey conducted at the end of 2020 show that market participants, on the whole, perceived no change to a slight improvement in liquidity compared with 2019.

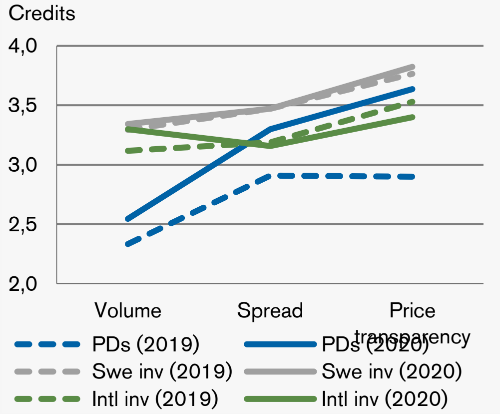
The primary dealers' ratings of liquidity in nominal government bonds improved, but it did so from a low level, and in regard to volume the rating remained under 3 (see Figure 7). The ratings among Swedish and international investors were over 3, which is also the level of "approved" according to the company that conducts the survey. The survey also makes it apparent that it is considered difficult to trade large volumes without affecting pricing.

Figure 6. Outstanding stock of nominal government bonds and Riksbank share



Note: Outstanding volume in nominal amount. The Riksbank's share in accordance with the Debt Office's trade date accounting for central government debt.
Sources: Riksbank and Debt Office.

Figure 7. Assessment of the liquidity in the market for nominal government bonds



Note: Credits on scale 1 to 5 in annual survey where below 3 should be seen as inadequate and from 4 and upwards as excellent.
Source: Kantar Sifo Prospera.

The report *Central Government Debt Management – a Basis for Evaluation 2020* contains more information on the results of the survey, which also measures market participants' confidence in the Debt Office's strategies and actions. The survey results can be found on the Debt Office's website, riksgalden.se, as well.

Borrowing in inflation-linked bonds stays at current level

The issuance volume of inflation-linked bonds was raised from SEK 1 billion to SEK 1.25 billion per auction since the beginning of this year, and it remains at that level during the forecast period. This corresponds to a rate of just over SEK 21 billion per year for 2021 and 2022. The increase was made in order to steer the share of inflation-linked debt towards the long-term target of 20 per cent of the central government debt (see Figure 5).

The outstanding issues of inflation-linked bonds have reached relatively large volume in relation to the remaining maturity of each bond. As the annual issuance volume in this type of debt instrument now stays the same during the forecast period, the Debt Office is considering increasing the number of outstanding bonds in order to avoid individual bonds becoming too large. The Debt Office will therefore probe the interest in the market on the topic of adding a new bond and also look into what maturity may be relevant. Primary dealers and investors are welcome to provide input during March and April. The Debt Office will then present its decision in the central government borrowing report in May.

The Debt Office is offering switch auctions for a total of SEK 6 billion of the inflation-linked bond 3108, to longer inflation-linked bonds before the residual maturity becomes shorter than one year. The switch auctions will be held in March. After the switch auctions, the Debt Office will no longer offer a switch facility or a standing repurchase (repo) facility for 3108. Once the CPI for March 2022 has been published (according to plan in April 2022), the Debt Office may consider repurchases, if deemed necessary.

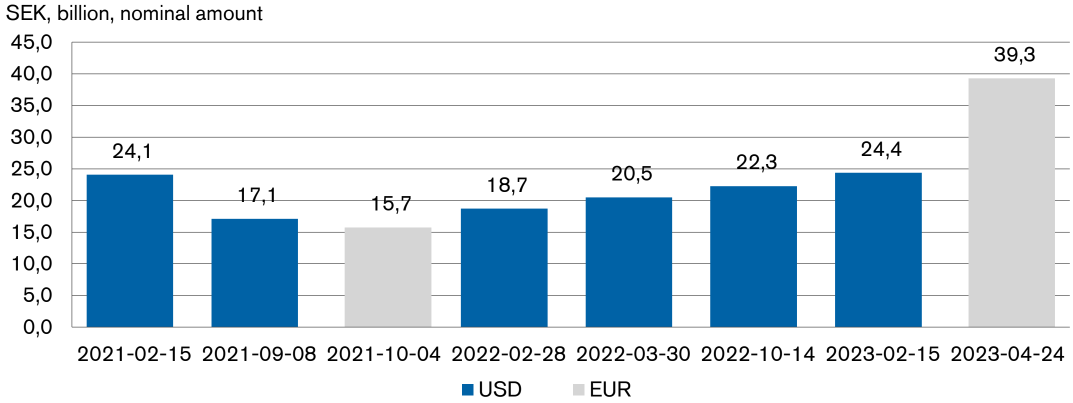
Foreign currency bonds on own behalf instead of for the Riksbank

In recent years, the Debt Office has issued bonds in foreign currency solely to finance the Riksbank's foreign exchange reserves. In January 2021, the Riksbank decided to start financing the foreign exchange reserves on its own and thus repay the loans to the Debt Office as they mature. The Debt Office therefore no longer plans to issue foreign currency bonds for on-lending to the Riksbank on a continual basis. However, the Debt Office is always prepared to borrow in foreign currency on behalf of the Riksbank, should the need arise.

In order to maintain a presence in the international capital market when borrowing for the Riksbank ceases, the Debt Office is going to begin issuing a certain volume of bonds in foreign currency on its own behalf. The plan contains an issuance volume corresponding to SEK 17 billion for 2021 as well as 2022. The Debt Office's assessment is that is important for the sake of preparedness to issue foreign currency bonds with some regularity (see the box on page 30).

It is worth noting that the borrowing in foreign currency does not involve an increase in the currency exposure of the central government debt, because the Debt Office manages this with derivatives.

Figure 8. Maturing borrowing on behalf of the Riksbank



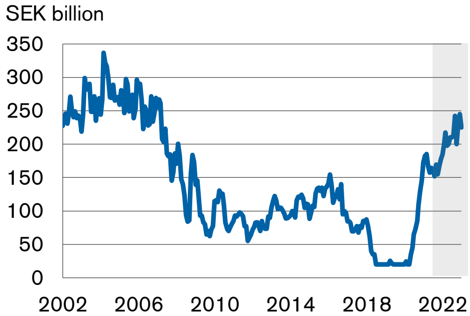
Note: Nominal amount to original exchange rate. Maturing volume on Oct 4, 2021, is a commercial paper, remaining are bonds.
Source: The Debt Office.

The stock of T-bills grows next year

The Debt Office expects the stock of treasury bills to increase from SEK 173 billion at the end of 2020, to SEK 185 this year and SEK 225 billion in 2022 (see Figure 9). Next year, the stock of treasury bills increases compared with the previous forecast, at the same time as the stock of liquidity management instruments decreases. The T-bill issues are planned on the basis of the maturity policy described in the box on the next page, and the volume of the auctions will vary within the range of SEK 7.5-20 billion.

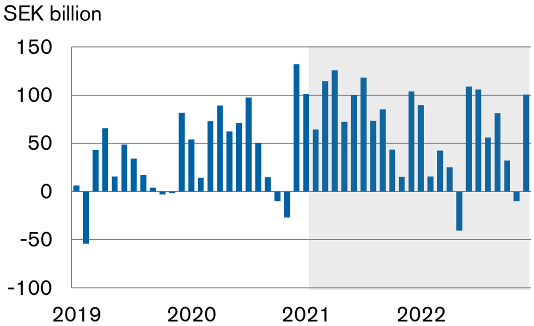
The borrowing requirement that remains after the regular issues of treasury bills and bonds will be handled by the Debt Office within its liquidity management operations, by issuing T-bills continually (on tap) or commercial paper in foreign currency. The volume of liquidity management instruments contained in the plan is adjusted continually as the budget balance and the regular borrowing develop. This enables good flexibility for managing uncertainty. Figure 10 shows the outcome and forecast for the liquidity management.

Figure 9. Stock of T-bills



Source: The Debt Office.

Figure 10. Liquidity management



Note: Nominal amount including assets under management. Positive amounts indicate borrowing requirement, negative amounts indicate surplus.

Source: The Debt office.

Current maturity policy for treasury bills

The Debt Office, starting June 2020, increased the number of outstanding maturities in treasury bills to meet the growing borrowing requirement. The change entails an increase in the number of outstanding treasury bills from four to six, of which the longest maturity is up to twelve months.

The new policy involves the Debt Office issuing a new 12-month bill maturing on an IMM date every three months (the third Wednesday in March, June, September and December). In the other months, a new three-month bill is introduced.

The Debt Office also issues treasury bills on a discretionary basis (tap issues) within the liquidity management operations. This applies to treasury bills with the two shortest maturities and with tailored maturities (liquidity bills).

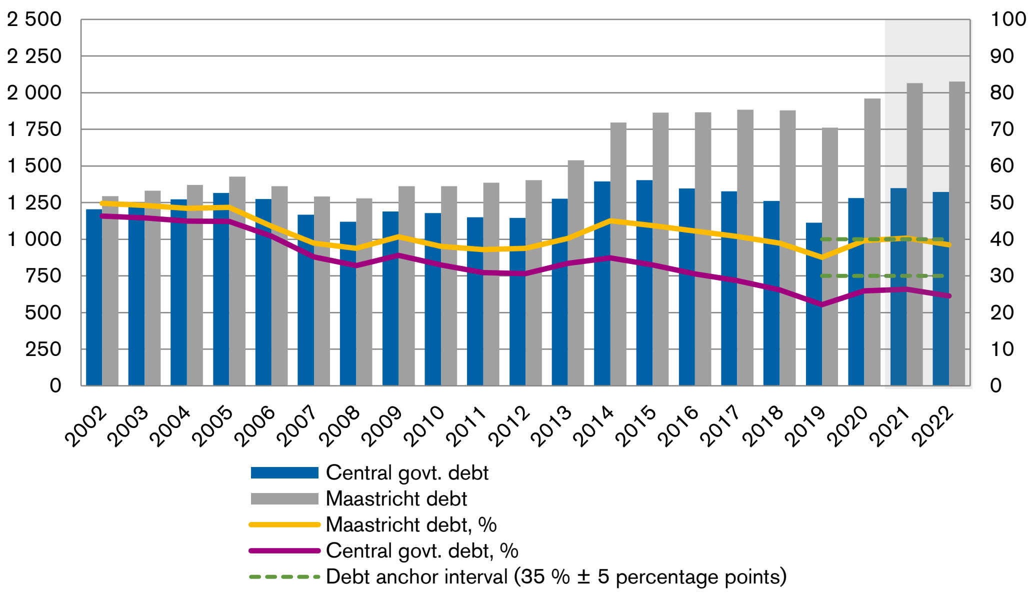
Government debt as a share of GDP levels out and decreases

The central government debt was SEK 1,280 billion at the end of 2020, corresponding to 26 per cent of GDP. This year, the debt is expected to increase to SEK 1,348 billion, before decreasing to SEK 1,324 next year. This corresponds to 26 per cent and 25 per cent, respectively, of GDP (see Figure 11 and Table 3).

The Maastricht debt is expected to decrease from 40 per cent of GDP at the end of 2020 and 2021 to 38 per cent at the end of 2022. The Maastricht measure includes the consolidated debt for the entire public sector and is used in international comparisons (see box on page 38). It is also this measure on which the debt anchor of 35 per cent of GDP (±5 percentage units) in the fiscal policy framework is based.

Figure 11. Central government debt – development over time

SEK billion Per cent of GDP



Source: The Debt Office and Statistics Sweden.

Table 3. From net borrowing requirement to central government debt

SEK billion	**2018**	**2019**	**2020**	**2021**	**2022**
Net borrowing requirement	-80	-112	221	63	-30
Business day adjustment etc.[1]	37	-15	-25	8	0
Net borrowing per business day	-43	-127	196	70	-31
A. Nominal amount including money market assets	1 160	1 033	1 229	1 300	1 269
Inflation compensation	28	26	18	20	21
Exchange rate effects	26	26	-4	-2	3
B. Nominal amount to current exchange rate incl. inflation compensation and money market assets	1 215	1 085	1 243	1 318	1 294
Assets under management	47	28	38	30	30
C. Central government debt	1 262	1 113	1 280	1 348	1 324
Assets under management	-47	-28	-38	-30	-30
On-lending	-259	-193	-174	-120	-65
D. Central government debt incl. on-lending and assets under management	956	893	1 069	1 199	1 228
Nominal GDP	4 829	5 024	4 941	5 116	5 397
C. Central government debt, % of GDP	26	22	26	26	25
D. Central government debt incl. on-lending and money market assets, % of GDP	20	18	22	23	23

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

Different measures of government debt in statistics

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*. 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 the Swedish National Financial Management Authority (ESV).

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 covers the whole of the public sector, including local and regional governments and the pension system. Its calculation is based on conditions in the Maastricht Treaty. According to the EU's debt criterion, the Maastricht debt must not exceed 60 per cent of GDP.

The Maastricht debt is also the measure used in Sweden's budgetary framework and which forms the basis of the debt anchor of 35 per cent that the Riksdag (Parliament) decided will be in force as of 2019. General government consolidated gross debt is published by Statistics Sweden.

Appendix of tables

Key figure tables, forecast

Table A1. Central government net lending

SEK billion	2018	2019	2020	2021	2022
Budget balance	80	112	-221	-63	30
Delimitations	1	-48	36	-44	-54
Sale of limited companies	2	0	0	0	0
Extraordinary dividends	0	0	0	0	0
Parts of Debt Office's net lending	6	-67	31	-42	-59
Other delimitations etc.	-7	19	5	-2	5
Accruals	-19	-4	15	-33	-24
Taxes	-20	-10	7	-25	-21
Interest payments etc.	1	7	9	-8	-3
Central government net lending	62	60	-169	-140	-47
Per cent of GDP	**1.3**	**1.2**	**-3.4**	**-2.7**	**-0.9**

Table A2. Budget balance forecast per month

SEK billion	Primary balance	Net lending	Interest on government debt	Budget Balance
Feb-21	24.6	26.6	1.9	53.1
Mar-21	-27.4	3.0	2.4	-22.1
Apr-21	-28.2	2.0	1.4	-24.9
Maj-21	36.0	-1.1	-1.3	33.6
Jun-21	-37.1	4.9	-4.0	-36.2
Jul-21	-13.1	4.3	0.5	-8.3
Aug-21	12.4	3.5	1.2	17.2
Sep-21	-10.4	18.7	1.7	10.0
Oct-21	-20.0	17.9	1.2	-1.0
Nov-21	8.3	3.2	-1.6	10.0
Dec-21	-59.5	-42.7	0.2	-101.9
Jan-22	-7.8	1.9	0.6	-5.3

Table A3. Budget balance changes between years, effect on budget balance

SEK billion	2018	2019	2020	2021	2022
Budget balance, level	80	112	-221	-63	30
Change from previous year	18	32	-333	158	93
Primary balance:	**29**	**-33**	**-238**	**62**	**89**
Of which					
Income from taxes	66	-8	-86	98	78
Grants to local governments	-5	-9	-37	4	5
Labour market	-1	7	-8	-12	3
Social insurance	-14	-5	-7	11	-3
Migration & International aid	14	11	9	-4	-1
Sales of state-owned assets	2	-2	0	0	0
State share dividends	6	0	4	-2	0
EU contribution	-9	0	-11	2	1
Other	-31	-28	-103	-36	7
Debt Office's net lending excl. on-lending	-1	-5	-23	8	11
On-lending	-7	78	-73	63	5
Interest on government debt	**-3**	**-8**	**2**	**25**	**-11**

Table A4. Budget balance forecast comparison, SEK billion

SEK Billion	Budget balance	Sale of state assets	Adjusted budget balance
The Debt Office (24 february)			
2021	-63	0	-63
2022	30	0	-30
Government (21 september)			
2021	-67	5	-72
2022	-26	5	-31
NIER (17 december)			
2021	-80	0	-80
2022	4	0	4
ESV (20 november)			
2021	-86	0	-86
2022	9	0	9

Table A5. State share dividends

SEK Billion	2021	2022
Akademiska hus AB	1.5	1.5
LKAB	6.0	6.0
Telia Company AB	3.2	3.0
Vattenfall AB	4.0	3.5
Sveaskog AB	0.9	1.1
Övriga bolag	1.4	2.0
Total	**16.9**	**17.1**

Table A6. Gross borrowing requirement

SEK billion	2018	2019	2020	2021	2022
Net borrowing requirement	**-80**	**-112**	**221**	**63**	**-30**
Business day adjustment etc.[1]	**37**	**-15**	**-25**	**8**	**0**
Retail borrowing & collateral, net[2]	**12**	**4**	**-2**	**5**	**-2**
Money market redemptions[3]	**122**	**70**	**101**	**305**	**289**
T-bills	88	20	20	173	185
Liquidity management	35	50	81	132	104
Bond redemptions, net switches and buy-backs	**107**	**211**	**185**	**42**	**197**
Nominal government bonds	5	99	96	0	112
Inflation-linked bonds	1	25	19	1	23
Foreign currency bonds[4]	101	87	70	41	61
Total gross borrowing requirement	**198**	**158**	**481**	**422**	**454**

[1] A difference occurs as borrowing is reported by business date while the 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. Commercial paper is included in liquidity management.
[4] Calculated with the original issuance exchange rate.

Table A7. Net borrowing requirement and net borrowing

SEK billion	2018	2019	2020	2021	2022
Net borrowing requirement	-80	-112	221	63	-30
Business day adjustment[1]	37	-15	-25	8	0
Net borrowing	**-43**	**-127**	**196**	**70**	**-31**
Retail funding & collateral, net	**-12**	**-4**	**2**	**-5**	**2**
Net money market funding	**-52**	**31**	**203**	**-16**	**37**
T-bills	-68	0	153	12	40
Commercial paper	-4	0	31	-31	0
Liquidity management	20	31	19	3	-3
Net bond market funding	**21**	**-154**	**-9**	**91**	**-69**
Nominal government bonds	27	-69	4	95	-22
Inflation-linked bonds	7	-17	-6	20	-2
Green bonds	0	0	20	0	0
Foreign currency bonds	-13	-68	-27	-25	-45
Total net borrowing	**-43**	**-127**	**196**	**70**	**-31**

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

Market information

Table A8. Government bonds, auction dates

Announcement	Auction date	Settlement date
03-Mar-21	10-Mar-21	12-Mar-21
17-Mar-21	24-Mar-21	26-Mar-21
14-Apr-21	21-Apr-21	23-Apr-21
28-Apr-21	05-May-21	07-May-21
12-May-21	19-May-21	21-May-21
26-May-21	02-Jun-21	04-Jun-21
09-Jun-21	16-Jun-21	18-Jun-21

Table A9. Nominal government bonds

Maturity date	Coupon %	Bond no.	SEK million
01-Jun-22	3.50	1054	108 131
13-Nov-23	1.50	1057	92 885
12-May-25	2.50	1058	73 126
12-Nov-26	1.00	1059	74 664
12-May-28	0.75	1060	53 513
12-Nov-29	0.75	1061	60 339
12-May-31	0.13	1062	38 640
01-Jun-32	2.25	1056	23 500
30-Mar-39	3.50	1053	43 214
24-Nov-45	0.50	1063	15 472
Total government bonds			**583 483**

Note: Outstanding volume as of 29 January 2021.

Table A10. Inflation-linked bonds, auction dates

Announcement	Auction date	Settlement date
25-Feb-21	04-Mar-21	08-Mar-21
11-Mar-21	18-Mar-21	22-Mar-21
19-Feb-21	19-Mar-21*	23-Mar-21
19-Feb-21	22-Mar-21*	24-Mar-21
19-Feb-21	23-Mar-21*	25-Mar-21
08-Apr-21	15-Apr-21	19-Apr-21
22-Apr-21	29-Apr-21	03-May-21
20-May-21	27-May-21	31-May-21
03-Jun-21	10-Jun-21	14-Jun-21

*Exchange auction

Table A11. Inflation-linked bonds

Maturity date	Coupon %	Bond no.	SEK million
01-Jun-22	0.25	3108	30 598
01-Jun-25	1.00	3109	31 262
01-Jun-26	0.125	3112	24 973
01-Dec-27	0.125	3113	19 595
01-Dec-28	3,50	3103	1
01-Dec-28	3.50	3104	27 086
01-Jun-30	0.125	3114	9 754
01-Jun-32	0.125	3111	20 596
Total inflation-linked bonds			**163 865**

Note: Outstanding volume as of 29 January 2021.

Table A12. T-bills, auction dates

Announcement	Auction date	Settlement date
24-Feb-21	03-Mar-21	05-Mar-21
10-Mar-21	17-Mar-21	19-Mar-21
24-Mar-21	31-Mar-21	06-Apr-21
07-Apr-21	14-Apr-21	16-Apr-21
21-Apr-21	28-Apr-21	30-Apr-21
04-May-21	11-May-21	14-May-21
19-May-21	26-May-21	28-May-21
02-Jun-21	09-Jun-21	11-Jun-21
16-Jun-21	23-Jun-21	28-Jun-21
30-Jun-21	07-Jul-21	09-Jul-21

Table A13. Treasury bills

Maturity date	SEK million
17-Feb-21	25 000
17-Mar-21	70 525
21-Apr-21	35 000
16-Jun-21	27 762
15-Sep-21	14 424
15-Dec-21	10 000
Total T-bills	**182 711**

Note: Outstanding volume as of 29 January 2021.

Table A14. Rating

Rating company	Krona debt	Foreign currency debt
Moody's	Aaa	Aaa
Standard & Poor's	AAA	AAA
Fitch	AAA	AAA

Table A15. Primary dealers

Primary dealer	Government bonds	Inflation-linked bonds	T-bills	Telephone no.
Barclays	•			+44 207 773 8379
Danske Markets	•	•	•	+46 8 568 808 44
Handelsbanken Markets	•	•	•	+46 8 463 46 50
NatWest Markets	•			+44 207 805 0363
Nordea Markets	•	•	•	+45 3333 1609
				+46 8 614 91 07
SEB	•	•	•	+46 8 506 231 51
Swedbank	•	•	•	+46 8 700 99 00

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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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