

Central government borrowing strategy 2024

The Danish economy stands strong going into 2024. Inflation has slowed significantly since October last year and the economy is still characterised by high employment and substantial surpluses on both the current account of the balance of payments and the general government budget balance. Issuance targets are set at kr. 65 billion for government bonds and kr. 35 billion for the central government's short-term loan programmes as in 2023. In addition, a short-term bond in foreign currency will be issued under the Danish Government's EMTN programme.

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Issuance target for bond sales at kr. 65 billion

In 2024, the target for government bond issuance is set at kr. 65 billion. The focus will continue to be on issuance in the 2- and 10-year nominal bonds, supplemented with issuance in the 10-year green government bond and the inflation-linked government bond. See the central government's complete on-the-run issue programme ([link](#)).



Opening of new 2-year benchmark bond

In the 1st quarter of 2024, a new 2-year government bond maturing in 2026 will be opened. The new government bond replaces 1.75 per cent 2025 as the 2-year on-the-run issue.



Issuance under the central government's EMTN programme

In 2024, a short-term bond in either euros or dollars will be issued under the central government's EMTN programme. The strategy remains to issue a foreign currency bond annually. Read more about the Government's EMTN programme ([link](#)).

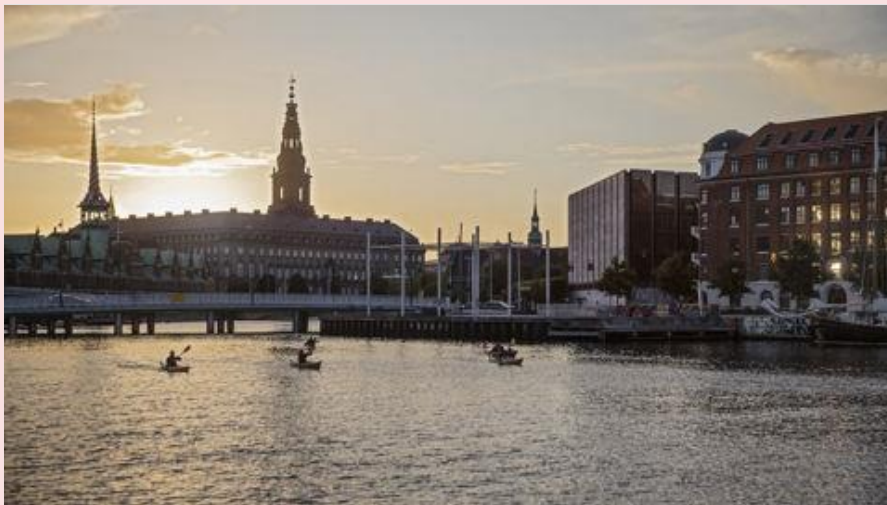
Why is it important?

On behalf of the Minister of Finance, Danmarks Nationalbank is responsible for the management of government borrowing and debt. This means that, based on the Finance Act and input from the Ministry of Finance, Danmarks Nationalbank prepares a strategy for government borrowing to match the central government's annual financing needs. The strategy is approved by the Ministry of Finance.

The strategy for government borrowing is published twice a year. In extraordinary circumstances, Danmarks Nationalbank may make changes to the strategy outside the biannual publications – this was the case during COVID-19, for example, when the central government's borrowing requirement increased sharply in a short period of time.



Based on the Ministry of Finance's latest forecast, a total financing need of kr. 77 billion is expected in 2024



The Danish economy remains strong

Key messages

Strategy announcement

Government finance and debt

Government borrowing and debt

Government debt

The Danish economy is heading for a soft landing

The Danish economy has proven resilient in a time of economic and geopolitical unrest, high inflation, and rising interest rates. Inflation has declined significantly since October last year, and the economy continues to be characterised by high employment and substantial surpluses on both the current account of the balance of payments and the general government budget balance. The main scenario in the Danish Government's latest forecast is a soft landing for the Danish economy.¹

Sound public finances and low debt have contributed to Denmark maintaining the highest credit rating (AAA) from all leading credit rating agencies. In 2024, a general government surplus of 1.5 percent of GDP is expected, and EMU debt is expected to fall by 1.2 percentage points to 29.1 per cent of GDP. Denmark is thus well within the 60 per cent of the GDP limit in the EU Stability and Growth Pact.

The central government's financing need is expected to be kr. 77 billion in 2024

Based on the Ministry of Finance's latest forecast, a total financing need of kr. 77 billion is expected in 2024. The financing need covers repayments of existing debt totalling kr. 117 billion and purchases of mortgage bonds to finance subsidised housing amounting kr. 6 billion. Conversely, an expected central government surplus of kr. 45 billion contributes to a lower financing need, see table 1.

TABLE 1

Financing requirement and financing in 2023

Financing need	Kr. billion
Net financing need	-45
Net purchases of bonds to finance subsidised housing	6
Repayments on long-term debt, etc.	82
Repayments on treasury bills and commercial papers	35
Total funding needs	77
Strategy for financing	
Sale of government bonds	65
Sale of treasury bills and commercial papers	35
Sale of foreign currency bonds under the central government's EMTN programme	12
Government account	-35
Total financing	77

Note: *Repayments on long-term debt, etc.* include maturities and purchases of government bonds, net payments on currency swaps and net bond purchases by the government funds. No target is set for sales via swaps. Rounding may cause sums to deviate from totals.

Source: Ministry of Finance and Danmarks Nationalbank.

Target for domestic bond issuance of kr. 65 billion

In 2024, the target for issuance of domestic government bonds is set at kr. 65 billion at market value. To ensure continuity and to maintain a liquid and well-functioning market

¹ Economic Survey, December 2023

for government bonds, issuance is carried out on an ongoing basis via auctions and tap sales. The aim is to achieve an even issuance distribution throughout the year.

The focus will continue to be on issuing in the 2- and 10-year nominal government bonds. This will be supplemented by building up the outstanding volume in the new 10-year green government bond and the inflation-linked government bond maturing in 2034. The central government may also, to a limited extent, issue in the 30-year nominal bond in 2024. For an overview of the on-the-run government bonds in 2024, see table 2.

The issuance amount of green government bonds aims to be on level with 2023, and the strategy for government inflation-linked bonds is still to build a total outstanding amount of kr. 40-60 billion.

Opening of a new 2-year benchmark bond

In the 1st quarter of 2024, a new 2-year government bond maturing in 2026 will be opened, replacing 1.75 per cent 2025 as a 2-year on-the-run issue, see chart 1. A new 2-year government bond contributes to smoothing the central government's repayment profile and will be offered regularly at auctions and through swap operations between the new 2-year government bond and the short-term off-the-run government bonds.

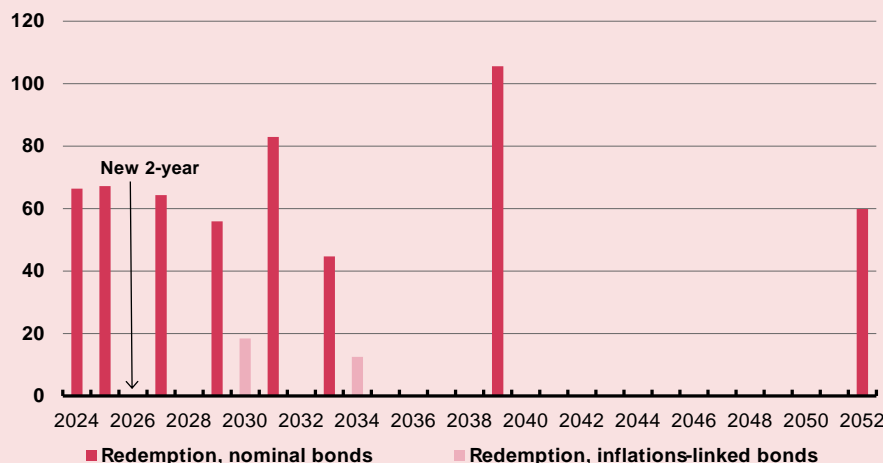
Continued build-up of 10-year government bond

The current 10-year government bond, 2.25 per cent 2033, will be offered regularly at auctions and through switch auctions between 2.25 per cent 2033 and the off-the-run government bonds. The strategy is to build up the 10-year government bonds to an outstanding amount of at least kr. 75 billion.

CHART 1

Redemption profile of outstanding central government debt

Bn. DKK



Note: Maturity of inflation-linked bonds is calculated in nominal terms and without expected index revaluation.

Source: Danmarks Nationalbank.

Target for the outstanding amount in short-term loan programmes of kr. 35 billion

The short-term loan programmes, treasury bills and commercial papers (CP), are a central part of the central government's liquidity reserves. In 2024, the target is to have a total outstanding amount of kr. 35 billion at the end of the year. The majority will consist of treasury bills, where new 6-month treasury bills are opened every three months.

Continued strategy to support liquidity in the government debt market

To maintain a liquid and robust government bond market, the central government will continue to support the secondary market in 2024 through buy-backs and switch auctions.

The central government may conduct buy-backs via auctions or tap, considering an appropriate outstanding amount of the off-the-run government securities. At the end of each month, a buy-back auction of 0.00 per cent 2024 will be held. The central government buy-backs help to strengthen liquidity and the functioning of the government debt market. In addition, buy-backs contribute to smoothing of the government redemption profile.

In 2024, one or two switch auctions will be held monthly. At switch auctions, market participants may exchange off-the-run securities for on-the-run securities. Such switches are not included in the overall issuance target but contribute to a faster consolidation and build-up of the core on-the-run issues.

Bond issuance in foreign currency

In 2024, a short-term bond in either euros or dollars will be issued under the central government’s EMTN programme. The issuance helps ensure that the central government maintains strong and broad market access in foreign currencies.

TABLE 2

The central-government’s on-the-run papers in 2024

Segment	Security
Maturity <1 year	Treasury bills
2-year nominal	1.75 per cent 2025
	X,xxper cent 2026
10-year nominal	2.25 per cent 2033
10-year green nominal	2.25 per cent 2033G
30-year nominal	0.25 per cent 2052
Inflation-linked	0.10 per cent 2034i

Note: See Danmarks Nationalbank for the existing list of on-the-run bonds ([link](#)).
Source: Danmarks Nationalbank.

Release series



NEWS

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Working Paper presents research work by both Danmarks Nationalbank's employees and our partners. The series is primarily targeted at professionals and people with an interest in central banking research as well as economics and finance in a broader sense.

The analysis consists of a Danish and English version. In case of doubt of the accuracy of the translation, the Danish version applies.

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