

Central government borrowing strategy 2025

The Danish economy continues to stand strong going into 2025. Inflation has stabilised at a low level and the economy is still characterised by low unemployment, a substantial balance of payments surplus and surpluses on public finances. The central government's financing requirement for 2025 is expected to be limited. As in 2024, the target for government bond issuance is set at kr. 65 billion, of which up to kr. 10 billion will be issued as green bonds under an updated Green Bond Framework. The central government's short-term loan programmes (T-bills and commercial papers) are set at a maximum total outstanding of kr. 25 billion at the end of the year, with the possibility of variation during the year. In addition, a short-term bond in foreign currency will be issued under the central government's EMTN programme.

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Target for domestic bond issuance of kr. 65 billion

The target for issuance of government bonds is kr. 65 billion in 2025. The focus will continue to be on issuance in the nominal 2-year and 10-year maturity segments, supplemented with issuance in the central government's new green bond, the existing 30-year benchmark and inflation-linked government bonds.



Opening of 10-year nominal bond and green twin bond

A new 10-year nominal government bond maturing in 2035 will be opened via auction on 5 February 2025. The bond will replace 2.25 per cent 2033 as the 10-year benchmark bond. A new green 10-year twin bond will also be opened under an updated Green Bond Framework in the second half of the year.



Both government inflation- linked bonds will be included in on-the-run issues

To support the liquidity of the central government's inflation-linked bond programme, in 2025, on-the-run issues will be expanded to include both of the central government's outstanding inflation-linked bonds. Both 0.10 per cent 2030i and 0.10 per cent 2034i will be on-the-run issues in 2025.

Why is it important?

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

The strategy for central government borrowing must ensure that the central government's financing requirement is covered at the lowest possible long-term borrowing costs, taking into account an acceptable level of risk. Furthermore, the aim is to facilitate the central government's access to the capital markets in the longer term and also that the central government's issuances should help support a well-functioning domestic capital market.

The strategy for central 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 the pandemic, for example, when the central government's financing requirement rose sharply in a short period of time.



Based on the Ministry of Finance's latest forecast, a total financing requirement of kr. 82 billion is expected in 2025.



Keywords

Strategy announcement

Central government finance and debt

Central government borrowing and debt

Central government debt

Solid government finances and limited financing requirement

The Danish economy has proven robust over the past few years, mainly due to strong exports. In 2024, inflation has been close to or below 2 per cent and interest rates are again at a lower level, providing the basis for a more broad based economic recovery in 2025. The economy continues to be characterised by low unemployment, a substantial balance of payments surplus and surpluses on public finances.

Surpluses in government finances in recent years have enabled the central government to build up a substantial balance on the central government's account. At the same time, the government debt has been reduced. EMU debt stands among the lowest in Europe and is estimated to be 31 per cent of GDP at the beginning of 2025. Sound public finances and low debt have contributed to Denmark maintaining the highest credit rating (AAA) with a stable outlook.

Based on the Economic Survey, a total financing requirement of kr. 82 billion is expected in 2025, which includes an expected government net financing requirement of kr. -15 billion, net purchases of mortgage bonds to finance social housing totalling kr. 5 billion and repayments on existing debt totalling kr. 92 billion.

The government's financing requirement is covered by issuing government securities, including government bonds, T-bills, commercial papers and an issuance in foreign currency, see table 1. The strategy for issuing government securities is detailed below.

TABLE 1

Financing requirement and financing in 2025

Financing requirement	Kr. billion
Net financing requirement ¹	-15
Net purchases of mortgage bonds to finance social housing	5
Repayments on long-term debt, etc. ²	80
Repayments on T-bills and commercial papers	12
Total financing requirement	82

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Strategy for financing

Issuance of government bonds	65
Issuance of T-bills and commercial papers	25
Issuance of bonds in foreign currency under the central government's EMTN programme	12
Drawings on the central government's account	-20
Total financing	82

- ¹ In December 2024, the Ministry of Finance entered into a conditional purchase agreement with ATP to acquire the majority stake in Copenhagen Airports A/S. If the transaction takes place in 2025, it is expected, all else being equal, to increase the government's net and gross financing requirements by approximately kr. 32 billion. Furthermore, changes in the government's net interest expenses will affect the net financing requirement as the financing requirement change. Should the transaction occur, the funds for the payment will primarily be obtained by reducing the central government account in Danmarks Nationalbank. Therefore, the issuance strategy for the government remains unchanged, regardless of whether the transaction takes place in 2025.
- ² Repayments on long-term debt, etc., comprise maturities of government bonds, including bond issuances in foreign currency via the central government's EMTN programme, net payments on currency swaps and central government funds' net bond purchases. No target is set for bond issuance via switch auctions. Rounding may cause sums to deviate from totals.

Note: The central government's net financing requirement arises on the basis of annual budget performance (DAU balance), central government on-lending (net) and stock movements, etc., and is an expression of the total liquidity effect of central government finances. The government's total financing requirement also includes repayments of central government debt and net purchases of bonds to finance social housing.

Source: The Economic Survey, December 2024, Ministry of Finance and Danmarks Nationalbank.

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

The target for issuance of domestic government bonds is maintained at the same level as in 2024 at kr. 65 billion. Ensuring liquidity in the Danish government securities market is a continued focus, and bond issuances will focus mainly on 2-year and 10-year nominal government bonds accordingly, supplemented with issuance in a new 10-year green government bond and in the inflation-linked government bond programme. The central government may also, to a limited extent, issue in the existing 30-year benchmark nominal bond in 2025. For an overview of the government's on-the-run issues, see table 2.

Opening of new 10-year nominal bond in February

A new 10-year nominal government bond will be opened via auction on 5 February 2025. The bond will mature on 15 November 2035 and will subsequently replace 2.25 per cent 2033 as the 10-year benchmark bond. Typically, a new 10-year nominal government bond is opened every two years.

Change to 2-year benchmark government bond in April

On 1 April 2025, the government's current 2-year on-the-run issue- the 2.25 per cent 2026 will be replaced by the 0.50 per cent 2027 bond. The bond will become the benchmark 2-year on-the-run issue until 2026, when a new 2-year nominal bond maturing in 2028 is expected to be opened.

Opening of a new green bond in the second half of the year under an updated Green Bond Framework

A new 10-year green government bond will be opened under an updated Green Bond Framework in the second half of 2025. The bond is expected to be opened via syndication. The green bond will be issued as a twin bond and will therefore

have the same financial characteristics as the new 10-year nominal bond maturing on 15 November 2035. The total issuance of green bonds is expected to amount to a maximum of kr. 10 billion at market value in 2025.

There will be no further issuance of the central government's green bond maturing in 2033, and the bond will therefore not be included in the on-the-run issues in 2024, see table 2.

Both inflation-linked bonds to be on-the-run issues in 2025

The government's inflation-linked bond programme is still developing. Index-linked bonds continue to be a good supplement to the central government's other loan portfolio, as they help make the government's investor base broader and more stable and help spread the risk on the government's debt portfolio. The strategy remains to open a new inflation-linked bond every four years, and for the total outstanding amount of the programme to be between kr. 40-60 billion once it is fully established.

To support the liquidity of the government's inflation-linked bond programme in its development, on-the-run issues will be expanded in 2025 to include both of the government's outstanding inflation-linked bonds (i.e. both 0.10 per cent 2030i and 0.10 per cent 2034i).

Issuance of bonds in foreign currency

In 2025, 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 short-term bond denominated in foreign currency annually. This issuance helps ensure that the central government maintains strong and broad market access in foreign currency.

Maximum outstanding amount in the central government's short-term loan programmes is set at kr. 25 billion at the end of the year

In recent years, the central government has built up a significant liquidity buffer in the central government's account as a result of positive government surpluses. Therefore, the maximum level for the central government's liquidity preparedness in 2025 will be reduced from a total of kr. 35 billion to kr. 25 billion. The outstanding balance in T-bills and commercial papers will therefore amount to a maximum of kr. 20 billion and kr. 5 billion, respectively, at the end of 2025. Any increases in the central government's financing needs that cannot be financed by drawing on the central government's account will initially be financed by increasing the central government's short-term loan programmes. The outstanding balance in the central government's short-term programmes may therefore vary during the year as needed.

New 6-month T-bills will be opened in March, June, September and December and will all mature on the second banking day in the month of expiry.

Frequent government securities auctions and switch auctions

Two T-bill auctions, two government bond auctions and two switch auctions will generally be held each month throughout the year, with the exception of July and December. At government bond auctions, the central government offers on-the-run bonds, while at switch auctions it is possible to bid for government on-the-run bonds contingent on the sale of off-the-run bonds. Switches are not included in the central government's issuance target, but they contribute to the build-up of the primary on-the-run issues.

Provisional auction dates are published three months in advance on Danmarks Nationalbank's website ([link](#)) on the last banking day of each month.

TABLE 2

The central government's on-the-run issues in 2025

Segment	On-the-run issues
Maturity < 1 year	T-bills and CPs
2-year nominal	2.25 per cent 2026/0.50 per cent 2027
10-year nominal	2.25 per cent 2033/X.XX per cent 2035
10-year green nominal	X.XX per cent 2035G
30-year nominal	0.25 per cent 2052
Inflation-linked	0.10 per cent 2030i and 0.10 per cent 2034i

Note: Where two on-the-run issues are separated by '/', a segment change is made during the year.
'X.XX' indicates a currently unknown coupon rate.

Source: Danmarks Nationalbank.

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The analysis consists of a Danish and an English version. In case of doubt as to the correctness of the translation, the Danish version will prevail.

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