

Faster recovery lowers borrowing requirement for central government

Sweden's economy and central government finances are recovering faster than expected from the pandemic. The central government borrowing requirement thereby decreases further, and the Swedish National Debt Office is reducing its bond borrowing in both kronor and foreign currency. The central government debt shifts downwards this year and will continue to decrease in 2022 and 2023.

"The economic recovery has been surprisingly strong so far this year and will gain further momentum after the removal of the pandemic restrictions. We also see a brighter situation in the labour market, despite expecting only a slow decrease in the number of long-term unemployed," says Debt Office Director General Hans Lindblad.

The Debt Office is raising the forecast for GDP growth this year to 4.2 per cent, after which it expects a gradual return to more normal levels. Household consumption and investment by companies are the main drivers of the growth.

Inflation is a factor of uncertainty. If the recent increase in inflation is sustained longer than expected, this could lead to higher interest rates and lower growth than in the forecast. The Debt Office's forecast is, however, that the increase in inflation will be temporary.

Central government budget balance already shows surplus this year

The good economic development helps to boost central government finances. The Debt Office now expects the budget balance to already be positive this year. The surpluses then continue to grow during the forecast period. This entails a strengthening of the budget balance by altogether SEK 55 billion for 2021 and 2022.

The upward revision of the budget balance is mainly due to higher income from taxes but also to the fact that expenditure will be lower. During all three forecast years, the repayment by the Riksbank of foreign currency loans at the Debt Office accounts for a large part of the surpluses. Disbursements of funds from the EU's Recovery and Resilience Facility also have a positive impact in 2022 and 2023.

Forecast for Swedish economy and central government finances				
<i>Previous forecast (May 2021) in parentheses</i>	2020 outcome	2021	2022	2023
GDP growth (%)	-2.8	4.2 (3.5)	3.5 (3.7)	1.8
Unemployment (% of labour force)	8.3	8.8 (8.7)	7.6 (7.7)	7.1
Budget balance (SEK billion)	-221	22 (-4)	94 (65)	107

Budget balance excluding on-lending to the Riksbank	-215	-35 (-60)	33 (4)	44
Central government net lending (SEK billion)	-143	-93 (-103)	-3 (-31)	39
Central government net lending (% of GDP)	-2.9	-1.8 (-2.0)	0.0 (-0.6)	0.7
Central government debt (SEK billion)	1,280	1,248 (1,283)	1,155 (1,221)	1,048
Central government debt (% of GDP)	26	23 (25)	21 (22)	18
Maastricht debt (% of GDP)	40	38 (39)	35 (36)	32

Supply of government securities decreases

The raised forecast of the budget balance means that there is a lower central government borrowing requirement. The Debt Office is therefore cancelling the bond issuance in foreign currency planned for this year and is reducing the supply of nominal government bonds in the regular auctions. The short-term borrowing will also be somewhat lower than in the previous borrowing plan. The Debt Office is also reducing the borrowing in inflation-linked bonds in order to steer the share of inflation-linked debt towards the long-term target of 20 per cent.

Central government borrowing, SEK billion				
<i>Previous forecast (May 2021) in parentheses</i>	2020 outcome	2021	2022	2023
Nominal government bonds	100	83 (85)	50 (70)	50
Inflation-linked bonds	13	21 (21)	13 (21)	13
Green bonds	20	0 (0)	0 (0)	0
Treasury bills (stock at year-end)	173	120 (138)	183 (183)	130
Foreign currency bonds	43	0 (17)	18 (17)	0
– on behalf of the Riksbank	43	0 (0)	0 (0)	0
– for central government	0	0 (17)	18 (17)	0

Central government debt shifts downwards after last year's increase

The central government debt is expected to decrease from SEK 1,280 billion at the end of 2020, to SEK 1,248 billion this year. The debt then continues to decrease during the forecast period. As a share of GDP, the central government debt decreases from 26 per cent last year to 18 per cent at the end of 2023.

The debt for the entire public sector according to the Maastricht measure is expected to decrease from 40 per cent of GDP at the end of 2020 to 32 per cent at the end of 2023. The Maastricht debt thereby shifts from the upper to the lower part of the range of the so-called debt anchor in the fiscal policy framework, which is 35 per cent of GDP (± 5 percentage points).

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Report: Central Government Borrowing – Forecast and Analysis 2021:3 (attachment)

The report will be presented at an online press conference today, 27 October, at 10:00 a.m.

Follow the live stream of the press conference here (in Swedish): <https://www.riksgalden.se/presstraff-27okt>

Journalists will be able to send in questions via menti.com to be answered during the press conference. The code will be presented in a slide during the live stream. For further information or interview inquiries, contact the Debt Office's press function.

The preliminary publishing date for *Central Government Borrowing – Forecast and Analysis 2022:1* is 24 February 2022.

The Debt Office's mandate includes central government borrowing and debt management. The objective is to do this at the lowest possible cost while avoiding excessive risk. In the report Central Government Borrowing – Forecast and Analysis, published three times a year, forecasts are presented for the macroeconomic development and budget balance for the next 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.

Contacts

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About the Swedish National Debt Office

The Swedish National Debt Office is the central government financial manager. We secure Sweden's economy and ensure that the financial system remains stable.

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Attachments

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[Report: Central Government Borrowing - Forecast and Analysis 2021:3](#)