RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

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Debt Office proposes changes to guidelines for debt management

Today, the Swedish National Debt Office is submitting to the Government its annual proposed guidelines for central government debt management. The most significant change proposed is for reducing the proportion of the debt that is in inflation-linked bonds. The Debt Office also proposes using a new measure of the debt's term to maturity.

In accordance with the Budget Act, the Government is to decide on the deadlines by 15 November. In advance of that decision, the Riksbank also has the opportunity to submit its opinion on the proposed guidelines. The guidelines govern, among other things, which types of debt the central government debt shall be composed of and what its term to maturity shall be. In the current guidelines, 20 per cent of the debt is to be inflation-linked debt – bonds for which the central government bears the inflation risk.

"Our analysis of the debt's composition shows that it is no longer justified to have such a large proportion of inflation-linked debt, and we therefore propose that it be reduced. The central government will continue to issue inflation-linked bonds, although to a more limited extent," says Klas Granlund, Head of Debt Management at the Debt Office.

Reduced inflation-linked debt but continued issuance

The primary reason for reducing the inflation-linked debt is that the current proportion neither contributes to reduced cost nor lower risk for the central government debt. The proposal entails a reduction in the outstanding volume of inflation-linked bonds from SEK 177 billion to approximately SEK 80 billion by the end of 2029.

If the Government resolves to adopt the proposed guidelines, some changes will be made to the central government borrowing. The reduction of the inflation-linked debt will occur as loans mature and the Debt Office can then, on the basis of the borrowing requirement, prioritise nominal government bonds instead. The Debt Office will nevertheless continue to issue a smaller volume of inflation-linked bonds on a continual basis as well as introduce new ones. Other practical changes may also be implemented. The Debt Office will provide more details in the next *Central Government Borrowing* report to be published on 28 November.

One change that is already being implemented as of 1 October is that the Debt Office is terminating the facility whereby primary dealers can switch inflation-linked bonds. This is being done in order to maintain control of how the maturity profile of the inflation-linked debt develops.

A better term-to-maturity measure for the Debt Office's purposes

The Debt Office proposes changing the measure used for the central government debt's term to maturity from duration to average time to refixing (ATR). ATR is a more suitable measure of the debt' s maturity because it is not affected by changes in the market interest rate. The Debt Office does not see a reason at present to alter the steering interval for the term to maturity and proposes that it remain at 3.5–6 years measured as ATR.

Report: Central government debt management – Proposed guidelines 2025–2027 (see attachment).

Contacts

Press contact +46 8 613 47 01, press@riksgalden.se

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.

www.riksgalden.se

Attachments

Debt Office proposes changes to guidelines for debt management
Central government debt management – Proposed guidelines 2025–2027