

Sweden's debt increases but at slower rate

Growing expenditure contributes to a budget deficit this year and next year, causing Sweden's central government debt to rise. However, the weakening of government finances now appears somewhat milder than previously expected. The Swedish National Debt Office's new forecast does not prompt any major changes to the government borrowing plan.

Today, the Debt Office is presenting this year's second central government borrowing report.

"We are in a period of increased expenditure weighing on government finances at the same time as low economic activity dampens tax income, which as a whole means that the central government debt is growing. We nevertheless have a strong position at the outset and have already planned to increase borrowing," says Debt Office Director General Karolina Ekholm.

Deficit and increased central government debt

The Debt Office forecasts a budget deficit of SEK 71 billion in 2024 and SEK 56 billion in 2025. This year, the central government budget is weighed down mostly by broad increases in spending. The forecast for 2024 also includes a capital contribution to the Riksbank, although both the amount and timing remain uncertain. At the same time, income from taxes has progressed more strongly than expected and contributes to the Debt Office now foreseeing a smaller deficit for 2024 than in the previous forecast.

In the macro outlook that forms the basis of the budget balance forecast, the Debt Office expects the Swedish economy to grow by 0.5 per cent this year and unemployment to rise. Next year, GDP growth returns to over 2 per cent and unemployment goes down. This contributes to higher tax income, but at the same time expenditure rises further and the budget continues to show a deficit for 2025.

The budget deficit entails that the central government debt increases measured in kronor, and as a share of GDP from 16 per cent at the end of 2023 to 17 per cent in 2024 and 18 per cent in 2025. The general government debt then is 33 per cent of GDP.

Small changes to borrowing plan

The central government's total borrowing requirement for 2024 and 2025 is slightly lower than in the previous forecast, and the Debt Office is therefore reducing the short-term funding (treasury bills). Otherwise, the issuance plan remains the same. This means that the supply of nominal government bonds will increase from SEK 3.5 billion to SEK 4 billion per auction in August and that the inflation-linked bond borrowing will continue at the current pace. The plan also contains a foreign currency bond to be issued in 2025.

This report introduces a new more detailed presentation of the volume of nominal government bonds in different maturities that the Debt Office plans to issue until the next report. Another change in the communication is that as of 2025 the Debt Office will publish two central government borrowing reports a year instead of three – in May and November.

Debt Office's forecast – key figures

Table 1 Central government finances (SEK billion, unless otherwise stated)				
Key figure	Forecast 2024	24:1 2024	Forecast 2025	24:1 2025
Budget balance (which with the opposite sign is the central govt. net borrowing requirement)	-71	-84	-56	-50
Central govt. debt	1,117	1,132	1,165	1,174
Central govt. debt (% of GDP)	17	18	18	18
General govt. debt (% of GDP)	33	33	33	33
Note: 24:1 refers to the previous forecast published in February 2024.				

Table 2 Central government borrowing (SEK billion)				
Debt instrument	Forecast 2024	24:1 2024	Forecast 2025	24:1 2025
Nominal government bonds	73	73	80	80
Inflation-linked bonds	9	9	9	9
T-bills, stock at year-end	98	148	158	158
Foreign currency bonds	21	21	22	21
Note: 24:1 refers to the previous forecast published in February 2024.				

Table 3 Swedish economy (annual percentage change, unless otherwise stated)				
Key figure	Forecast 2024	24:1 2024	Forecast 2025	24:1 2025
GDP growth	0.5	0.5	2.3	2.3
Unemployment (% of labour force)	8.4	8.4	8.3	8.3
CPIF inflation	1.8	1.7	1.6	1.7
Note: 24:1 refers to the previous forecast published in February 2024.				

Attachment: *Central Government Borrowing – Forecast and Analysis 2024:2*

The report will be presented at a virtual press conference today, 30 May, at 10:00 a.m. Follow the live stream at <http://www.riksgalden.se>.

Journalists can e-mail questions to press@riksgalden.se. Questions asked directly before and during the press conference will be answered during the live stream. For further information or interview requests, contact the Debt Office's press function.

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.

www.riksgalden.se

Attachments

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