RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

27 October 2021

# CENTRAL GOVERNMENT BORROWING

Forecast and analysis 2021:3

Reg. no RG 2021/115

## The Debt Office's assignment

The Debt Office is the Swedish government's financial manager. The mission includes central government borrowing and debt management. The aim is to do this at the lowest possible cost over time while avoiding excessive risk.

In *Central Government Borrowing – Forecast and Analysis*, published three times a year, the Debt Office presents forecasts for the macroeconomic development and the central government finances in the coming two years. On the basis of these forecasts, the Debt Office calculates the government borrowing requirement and sets up a borrowing plan that is also included in the report. The Debt Office borrows to cover deficits in the central government budget (the net borrowing requirement) and to repay maturing loans.

On the fifth working day of each month, the central government budget balance for the previous month is published in a press release. The outcome is compared with the forecast from *Central Government Borrowing – Forecast and Analysis* and any deviations are explained. In connection with the monthly outcome, the Debt Office also presents the debt development in the report *Sweden's Central Government Debt*.

# Preface

In *Central Government Borrowing – Forecast and Analysis 2021:3*, the Debt Office presents forecasts for central government finances and borrowing for 2021–2023. An assessment of the macroeconomic development is provided in the first section. The next section presents forecasts for the budget balance and the underlying analysis. These forecasts serve as the basis for borrowing, which is discussed in the last section of the report.

The report takes into account developments up to 12 October 2021.

Hans Lindblad
*Debt Office Director General*

# Contents

# Summary

The Swedish economy and central government finances recover from last year's drop faster than the Debt Office expected in its previous forecast. The central government borrowing requirement thereby decreases further, and the Debt Office is reducing its bond borrowing in both kronor and foreign currency. The central government debt shifts downwards this year and continues to shrink in 2022 and 2023.

The economic recovery has been unexpectedly strong so far this year and will gain further momentum after the removal of the pandemic restrictions. The Debt Office is therefore raising the forecast of GDP growth this year and then expects a gradual slowdown. The labour market is also developing more strongly, with decreasing unemployment. Inflation is a factor of uncertainty.

The strong economic development contributes to boosting central government finances. The Debt Office now expects the budget balance to be positive this year and the surplus to then grow next year and in 2023. The stronger budget balance compared with the previous forecast is mainly due to higher income from taxes. During all three forecast years, the repayment of foreign currency loans by the Riksbank accounts for a large part of the surpluses.

The raised budget balance forecast means that the central government borrowing requirement will decrease further. The Debt Office is therefore cancelling the foreign currency bond issuance planned for this year and in addition reducing the supply of nominal government bonds in the regular auctions. The issuance volume of inflation-linked bonds is also being reduced. The lower level of borrowing means that the central government debt will decrease in all three years.

**Key figures for Sweden’s economy, central government finances and borrowing**

| (Previous forecast in parentheses) | 2020 | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|---|
| **Swedish economy** | | | | | | | |
| 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 | (-) |
| KPIF inflation (%) | 0.5 | 2.2 | (1.9) | 2.0 | (1.5) | 1.7 | (-) |
| **Central government finances** | | | | | | | |
| Budget balance (SEK billion) | -221 | 22 | (-4) | 94 | (65) | 107 | (-) |
| Central government net lending (% of GDP) | -2.9 | -1.8 | (-2.0) | 0.0 | (-0.6) | 0.7 | (-) |
| Central government debt (% of GDP) | 26 | 23 | (25) | 21 | (22) | 18 | (-) |
| **Central government borrowing** (SEK billion) | | | | | | | |
| Nominal government bonds | 100 | 83 | (85) | 50 | (70) | 50 | (-) |
| Inflation-linked government bonds | 13 | 21 | (21) | 13 | (21) | 13 | (-) |
| Green bonds | 20 | 0 | (0) | 0 | (0) | 0 | (-) |
| Treasury bills (outstanding volume at year-end) | 173 | 120 | (138) | 183 | (183) | 130 | (-) |
| Foreign currency bonds | 43 | 0 | (17) | 18 | (17) | 0 | (-) |

# Swedish economy continues to recover

The Swedish economy grows rapidly this year, and then the pace slows down gradually. The Debt Office now expects GDP growth of 4.2 per cent this year, which is 0.7 percentage points higher than in the previous forecast. In the short term, it is mainly the service sector that gains momentum after the pandemic restrictions have been removed. Increased global demand and continued expansionary economic policy provide additional support for the growth, at the same time as a shortage of components and other bottlenecks have inhibiting effects. The recovery of the economy is also reflected in the labour market where unemployment is gradually returning to the level before the crisis. Increasing inflation is a factor of uncertainty.

Repeatedly, growth in the Swedish economy has been unexpectedly high following the drop last year due to the outbreak of the coronavirus and the restrictions imposed to contain its contagion. The fact that the nationwide restrictions have now been removed in combination with high confidence indicators among firms implies good development ahead as well, not least in the sectors that were suppressed the most during the crisis. In addition, Swedish export companies are benefitting from increased global demand, even as a shortage of input goods and other production problems hold back parts of the manufacturing industry.

The Debt Office's assessment of the economic situation is largely based on the spread of infection and the burden on healthcare staying at levels that do not require imposing new restrictions in society. The pandemic remains an uncertainty however, both globally and in Sweden.

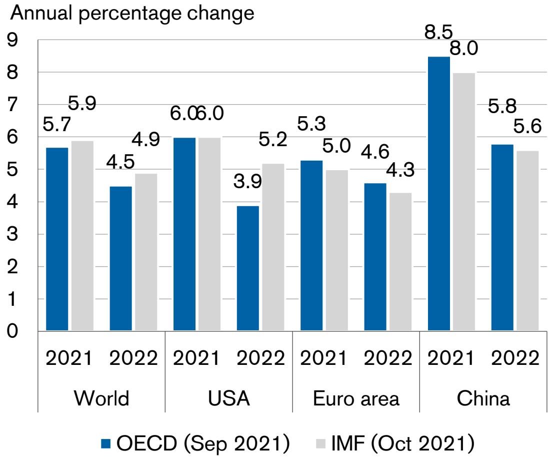
## Global recovery is strong but the pace subsides

The recovery of the global economy continues. Growth during the second quarter was unexpectedly strong among several of Sweden's most important trading partners, where an increased degree of vaccination and milder restrictions contributed to the recovery. The steps to open up society are most extensive in the Nordic countries (see Figure 8 on page 11). In Asia, however, new shutdowns of factories, ports and cities have created disturbances in global supply chains and inflation-driven bottlenecks. An additional factor that affects inflation and growth prospects is the recent drastic increase in energy prices.

The global economic recovery has been stronger than expected and forecasters have revised up their growth forecasts several times this year. Recently, however, the IMF and the OECD have revised down their outlooks for global growth as a result of production disturbances in more developed economies and a worsened pandemic situation with a lower degree of vaccination in less developed economies. Altogether, despite the downward revisions, the global economy is expected to grow by almost 6 per cent this year, to then slow down to just under 5 per cent in 2022, an assessment shared by the Debt Office (see Figure 1).

**Figure 1. IMF's and OECD's GDP forecasts**

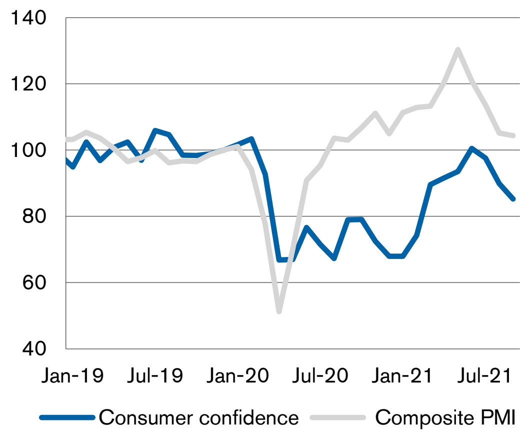
Annual percentage change




Sources: IMF and OECD.

**Figure 2. Confidence indicators for the US**

Index 2019-12 = 100




Sources: Conference Board and Markit.

## Mild slowdown in the US

The recovery from the crisis-related drop in the US economy has been rapid. Households significantly increased consumption during the second quarter, among others as a result of the fiscal policy stimulus measures previously decided on. At the same time, production in the manufacturing industry was constrained by supply problems in the form of a shortage of components and labour and delayed delivery times. Over the summer the spread of infection increased again, which is considered to have contributed to dampening household demand and the confidence of companies. Nevertheless, confidence indicators still remain at levels consistent with relatively good growth in the near future (see Figure 2).

Fiscal policy continues to support growth in the US this year and in the coming years, but it has recently transitioned from pandemic-related measures to more long-term initiatives of infrastructure investments and redistribution policy. These initiatives – if approved by Congress – will have less of an impact on growth than the earlier pandemic-related measures, both because they are to a higher extent funded and are in addition spread out over several years.

The labour market in the US has developed strongly since unemployment peaked at almost 15 per cent in the spring of 2020. Unemployment has continued to drop mainly as a result of an increased number of people employed – but also lower participation rate in the labour market. The number of employed remains, however, at levels lower than prior to the pandemic. As a result of a significant decrease in unemployment, there have been matching problems with the shortage of labour within certain professional categories that cannot be sufficiently filled by the unemployed. Shortage of labour has resulted in significant rises in wages, especially in sectors such as leisure and hospitality, transportation and professional services.

## Good prospects for growth in the euro area

Recovery in the euro area has also come relatively far and GDP in some countries is beginning to approach pre-crisis levels. Growth was surprisingly strong during the second quarter, driven primarily by household consumption. At the same time there is a great difference between countries. In Spain for example, where the tourist sector has a significant role, GDP is still below its pre-crisis level.

As a whole, prospects in the euro area are good. Confidence indicators among households and businesses are high, and households have built up savings that can be used for consumption in periods ahead. The labour market continues to strengthen as pandemic restrictions have started to ease, which has led to both short-time work allowances and the open unemployment decreasing.

**Slowdown of the Chinese economy**

The Chinese economy has recovered quickly and GDP now exceeds the level from before the crisis. However, the development of both industrial production and the retail trade indicate certain slowing in the third quarter. The dampened activity in the economy is in part due to local lockdowns to stop new cases of infection but also to increased regulation of companies. At the same time, a tightening of fiscal policy may slow investment growth. Overall, China's economy is expected to grow slower in the coming years.

The increased regulation by Chinese authorities, for example, pertains to measures in the real estate market aimed at hindering excessive indebtedness, which has resulted in a slowdown that also affects the economy as a whole.

## Continued favourable financial conditions but inflation in focus

The financial conditions remain very expansionary with policy rates at low levels and central banks continuing with asset purchases. There are indeed signs of monetary policy becoming somewhat less expansionary ahead, but the Debt Office's assessment is that the financial conditions will continue to be favourable in the coming years.

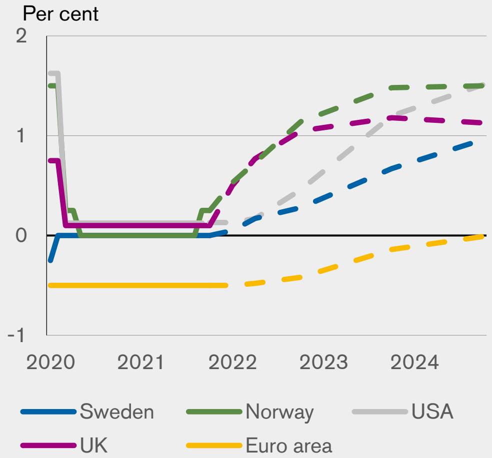
Higher inflation expectations have caused interest rates on government bonds with longer maturities to rise after the drop this summer and are now at levels from the spring (see the figure below). From a historical perspective, however, interest rates are still low. The difference in interest rates between corporate and government bonds also continues to be small. The stock market has been supported for some time now by major economic policy stimulus and high growth expectations. However, during the year financial markets have undergone periods of higher volatility and changes in risk appetite resulting from uncertainty about the spread of the virus, growth prospects and lately inflation.

Several central banks have begun to communicate a tightening of monetary policy and the market is pricing higher policy rates (see the figure below). Norges Bank has raised its policy rate and the Bank of England has indicated that an increase may come even before the asset purchases are reduced. Both the Federal Reserve (Fed) and the European Central Bank (ECB) left their policy rates unchanged at the time of their most recent monetary policy decisions, but they communicated reduced asset purchases. Given that the economy is developing approximately as the Fed expected, asset purchases will be scaled down later this year. The ECB is going to reduce assets purchases under the pandemic-related programme PEPP, but it will continue with net purchases until the coronavirus crisis is deemed to be over.

In Sweden, the Riksbank decided to leave the repo rate unchanged at 0 per cent in conjunction with its most recent monetary policy decision in September, and the interest rate path signals that it will stay at 0 percent until the end of 2024. The Riksbank plans to continue purchasing securities this year, in accordance with previously announced decisions, and keep the asset holdings unchanged next year.

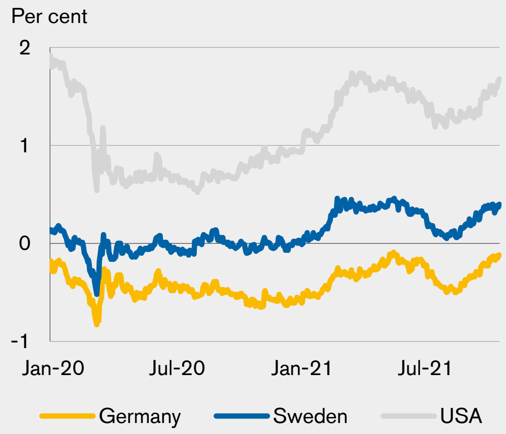
A factor that is uncertain and plays a major role in the central banks' actions and in financial markets is inflation. Since the turn of the year, inflation has increased and approached or even exceeded the target levels in several countries (see the figure in the box on page 15). The Fed and the ECB have said that they see the higher inflation as temporary, caused by drastic increases of goods and services prices in connection with the re-opening of the economy and higher energy prices. There is, however, a risk of the underlying inflationary pressure being underestimated. If that is the case, central banks may need to tighten monetary policy faster than expected, which could cause a rapid rise in global interest rates and adjustments in asset prices.

**Market expectations for policy rates**




Sources: National central banks and Bloomberg.

**Yields on 10-year government bonds**



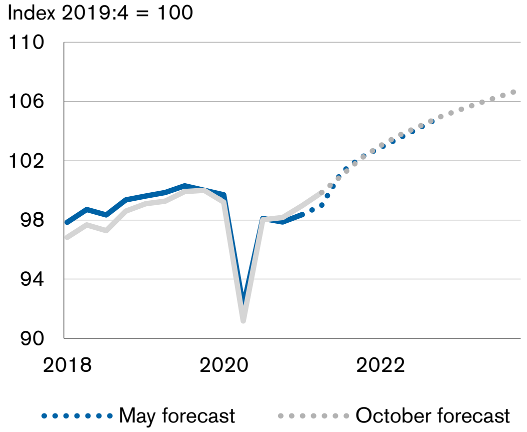

Source: Macrobond.

## Swedish economy is driven by consumption and investment

The Swedish economy has recovered from the fall caused by the pandemic and continues to grow rapidly this year and the next (see Figure 3). Household consumption and investment by companies are the main drivers of the economy. The Debt Office expects GDP in 2022 to return to the historical trend from before the crisis. In 2023, growth slows to a pace more in line with the trend once the economy leaves the recovery phase.

So far, the economy has grown faster than expected and different types of indicators show continued momentum for the recovery during the autumn (see Figure 4). The purchasing managers' index shows strong expansion within both services and manufacturing, even if the high index levels partly reflect the fact that delivery times have been driven to record-high levels. The National Institute of Economic Research's Economic Tendency Indicator is also very high, led by the manufacturing industry. High expectations for the future are the biggest contributor to this, but companies' reports on the current situation are also positive. The Debt Office's short-term models, which are partially based on the above indicators, point towards good growth in the second half of the year.

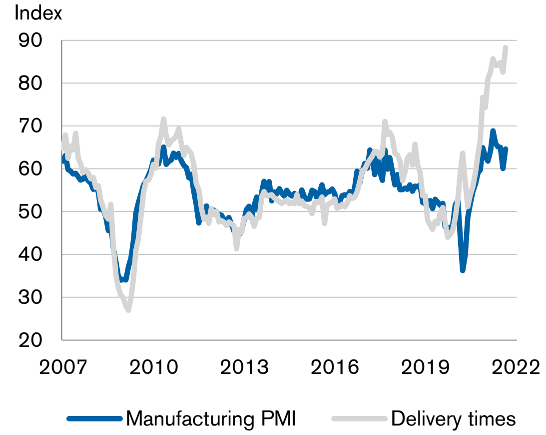
**Figure 3. GDP in Sweden**




Note: Seasonally adjusted data.

Sources: Statistics Sweden and the Debt Office.

**Figure 4. Confidence of manufacturing industry**




Note: Seasonally adjusted data. A value over 50 indicates expansion and a value under 50 contraction.

Source: Swedbank.

The Debt Office now expects the Swedish economy to grow by 4.2 per cent this year and 3.5 next year. GDP has therefore been revised up by around 0.7 percentage points for 2021 and down by 0.2 percentage points for 2022. Growth in 2023 is expected be 1.8 per cent. The raised forecast for 2021 is mainly due to the stronger growth of investment. Table 1 shows the development of the various components of GDP and Table 2 shows the forecast changes.

**Table 1. GDP and its components, constant prices, forecast**

| Percentage change[1] | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| **GDP** | **-2.8** | **4.2** | **3.5** | **1.8** |
| Household consumption | -4.7 | 4.2 | 4.2 | 1.7 |
| General gov. consumption | -0.6 | 2.9 | 1.7 | 1.2 |
| Gross fixed cap. formation | -0.4 | 6.2 | 5.9 | 3.1 |
| Change in inventories[2] | -0.7 | 0.1 | 0.0 | 0.0 |
| Export | -4,6 | 7.3 | 4.7 | 3.8 |
| Import | -5,7 | 8.3 | 6.0 | 4.3 |
| Net exports[2] | 0.2 | 0.0 | -0.4 | -0.1 |
| **GDP (calendar adj.)** | **-3.0** | **4.1** | **3.5** | **2.0** |

[1] Actual change compared with previous year.
[2] Contribution to GDP growth, percentage points.

Sources: Statistics Sweden and the Debt Office.

**Table 2. Supply balance, constant prices, revisions since previous forecast**

| Percentage points | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| **GDP** | **0.0** | **0.7** | **-0.2** | **-** |
| Household consumption | 0.0 | 0.3 | 0.9 | - |
| General gov. consumption | -0.1 | 0.0 | 0.2 | - |
| Gross fixed cap. formation | -1.0 | 2.1 | 0.0 | - |
| Change in inventories[2] | 0.1 | 0.3 | 0.0 | - |
| Export | 0.6 | -0.4 | -2.2 | - |
| Import | 0.2 | 0.5 | -0.9 | - |
| Net exports[2] | 0.2 | -0.3 | -0.7 | - |
| **GDP (calendar adj.)** | **0.0** | **0.7** | **-0.2** | - |

### Investment is an important driver of growth

Investments this year have so far grown relatively quickly after a relatively small decline in 2020 compared with previous crises. In the second quarter of this year, investments contributed the most to GDP growth, and the level of investment is now higher than it was before the pandemic. The decline during the pandemic was, however, both smaller and shorter than during the financial crisis.

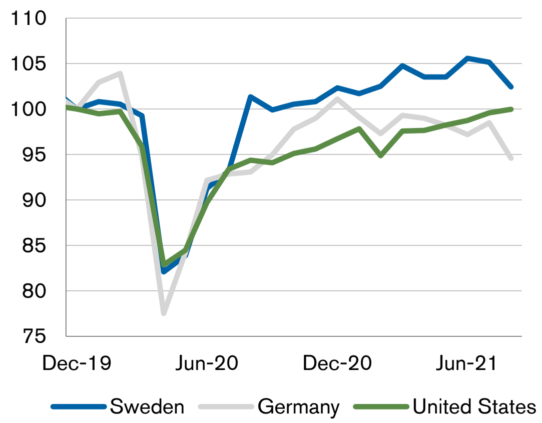
The fact that industrial production has also recovered swiftly indicates that there remains a need for investment in trade and industry. During the acute phase of the crisis, industrial production fell to the lowest level in more than 20 years but now exceeds the pre-crisis level. Compared with for example Germany and the US, the recovery of Swedish industrial production has been stronger, even if production fell back in August (see Figure 5). Various measures also show that capacity utilisation has risen to high levels.

The housing market has also developed strongly in recent years, and the pandemic has increased demand for larger residences. The development may in part reflect a tendency towards increased relocation from major cities in the wake of the rapid rise of digitalisation and more working from home. Low interest rates and rising incomes and wealth have also contributed to the upswing in housing prices (see Figure 6). Housing construction has also increased and construction begun on new apartments is now in line with the peak levels of 2017. The Debt Office assesses that housing construction will be high in the next few years if the price levels become sustained.

Along with trade and industry, increased government investment in infrastructure and defence contribute to investment reaching 6.2 per cent this year and 5.9 per cent next year. After that, the increase tapers off to 3.1 per cent in 2023, according to the Debt Office's forecast. The forecast may be affected by what happens with the concrete company Cementa (see the risk section at the end of the chapter).

**Figure 5. Industrial production**

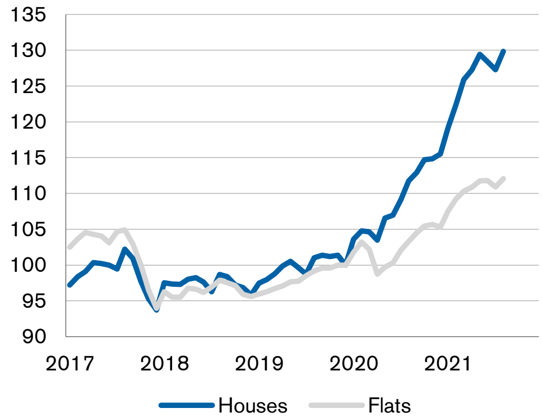
Index 2019:12 = 100




Note: Seasonally adjusted data, constant prices.
Source: Statistics Sweden, Macrobond.

**Figure 6. Housing prices**

Index 2019:12 = 100




Note: Seasonally adjusted data, constant prices.
Source: Statistics Sweden.

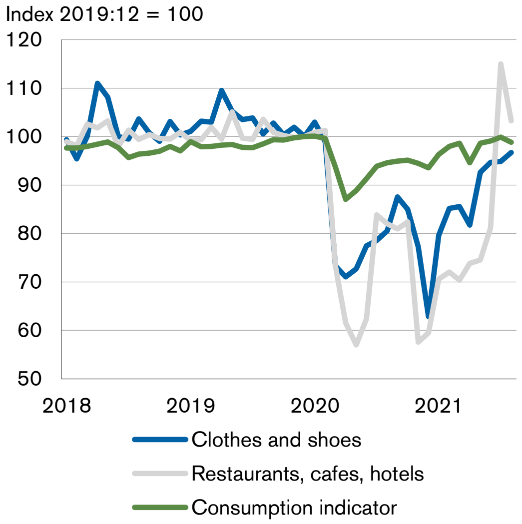
### Removal of restrictions boosts consumption

Household consumption, together with investment, is expected to contribute the most to growth during the forecast years. The fastest growth in the short term is for consumption as the industries most hindered by the pandemic recover. The easing of restrictions carried out so far has already had a major effect primarily in the hotel and restaurant industry (see Figure 7).

Other consumer categories such as clothes and shoes, recreation, culture, and transport services are still below their pre-crisis levels. Here, a normalisation is also expected in the next few quarters. If there is not a significant setback for the pandemic, and thereby a new set of restrictions, a large part of the consumption pattern is likely to gradually return to the situation from before the crisis. At the same time, households are reducing domestic-related consumption that is closely linked to the home, which has been exceptionally strong during the pandemic. Other areas, such as business-related travel, have likely gone through more structural changes.

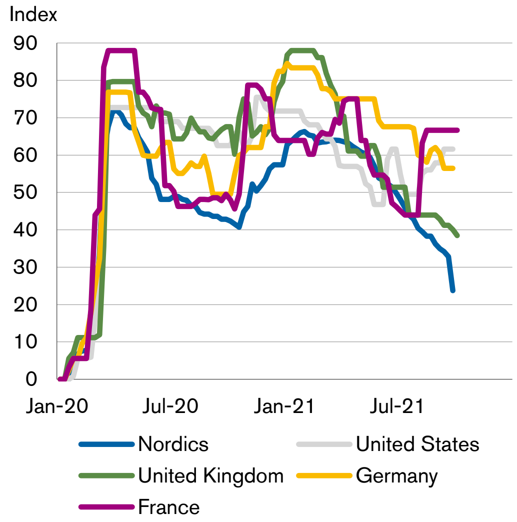
A high level of saving creates, along with rising wealth and incomes, conditions for relatively rapid growth of consumption in the coming years. In terms of progression, consumption is growing the fastest at present this autumn. After that, a more historically normal development is expected. In 2023, consumption will return to the trend from before the crisis, according to the Debt Office's forecast.

**Figure 7. Household consumption**




Note: Seasonally adjusted data, constant prices.
Source: Statistics Sweden.

**Figure 8. Stringency index in selected countries**




Note: Aggregate measure of restrictive measures.
Source: University of Oxford.

## Slower increase of industrial production and export

The Debt Office's assessment is that both export and industrial output will grow slower ahead, in line with the gradual slowdown in global growth. Export orders according to the purchasing manager's index have gone down from a high level, and a shortage of semiconductors continues to hinder the automotive industry above all, which has also led to temporary production stops in Swedish facilities. Road vehicles are one of Sweden's largest export products, accounting for 13 per cent of goods export.

A shortage of components and shipping containers is, therefore, restraining parts of industry, even as goods export in total exceed the pre-crisis level. For services export though, the levels remain depressed, not least in regard to travel and transport services. Altogether, net export contributes negatively to growth during the forecast years.

## Labour market is strong but difficult to interpret

The strength of the real economy is more and more reflected in the labour market, where the recovery is occurring faster than in the assessment from May. Employment increased sharply in the second quarter, primarily among those with temporary employment. Overall the indicators point to a continued high demand for labour in the coming months. Employment plans within trade and industry are the highest since 2010. The Swedish Public Employment Service's statistics for available positions have increased at the same time as notices of lay-off remain are at low levels.

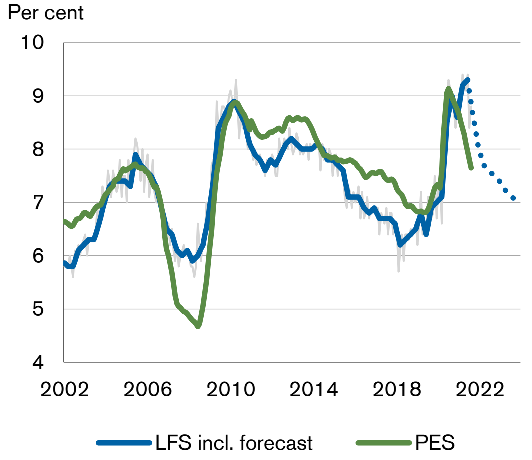
The Debt Office expects employment to develop strongly in the second half of the year as well, to then grow slower. The shortage of specialised labour within certain professional categories may hold back employment somewhat, and it will become harder to find the right employees.

The labour market statistics are currently difficult to interpret as a result of the conversion of the Labour Force Survey (LFS) conducted at the turn of the year. The new calculation methods entail a downward shift in the number of employed and the number of people in the labour force, with the effect on unemployment being unclear. Not until the beginning of 2022 is Statistics Sweden expected to present new linked time series.

### Unemployment falls gradually

Unemployment measured according to the LFS has remained at a high level so far this year. At the same time, unemployment according to the Swedish Public Employment Service's statistics has clearly decreased and half of the upturn during 2020 has been reversed (see Figure 9). The LFS captures a larger share of young people who work in close-contact service industries, which may be a reason for the measure in question being higher. On the other hand, the Swedish Public Employment Service's measure corresponds better with the overall picture of the economy. Different measures of resource utilisation also show that the economy is operating close to a normal level.

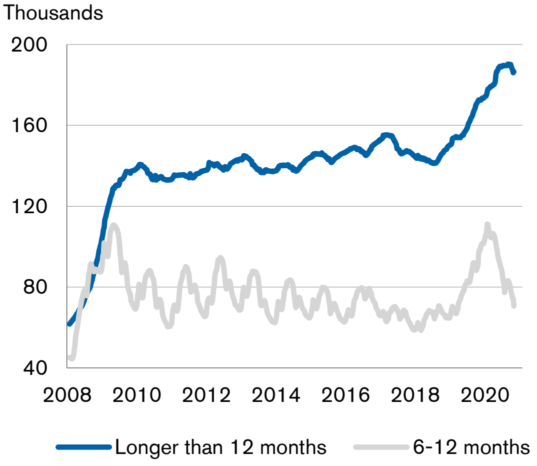
**Figure 9. Different measures of unemployment**




Note: Seasonally adjusted data. The grey line indicates monthly LFS outcome and the blue line quarterly LFS outcome. LFS is the Labour Force Survey and PES is the Swedish Public Employment Service.

Sources: Statistics Sweden, Swedish Public Employment Survey and the Debt Office.

**Figure 10. Long-term unemployment**




Note: Seasonally adjusted data.

Sources: Statistics Sweden and the Debt Office.

The Debt Office expects unemployment according to the LFS to reach 8.8 per cent in 2021, 7.6 per cent in 2022, and 7.1 per cent in 2023, measured as an annual average. Unemployment thereby reaches the level prior to the pandemic at the end of the forecast period.

### Long-term unemployment decreases slowly from high levels

Long-term unemployment – defined as being registered as unemployed for more than 12 months – was already high prior to the pandemic and has since increased further (see Figure 10). The Debt Office's assessment is that the number of long-term unemployed will reach close to 190,000 this year and then decrease slowly. That accounts for around 40 per cent of the total number of unemployed.

Extended periods of unemployment can adversely affect competence and skills, which can lead to others without jobs receiving employment sooner than the long-term unemployed once the economy strengthens. Continued economic recovery in the coming years will be important for long-term unemployment to be able to decrease. Of particular importance is the recovery within industries where people with a weak connection get their first jobs, such as hotels and restaurants and transport and communication.

### Payroll grows relatively fast

After the poor development last year, there is distinct payroll growth this year and next year before slowing down in 2023. It is mainly the hours worked driving the development, rather than the wage development measured as contracted hourly wages. The strong labour market entails that the sharp drop in hours worked during the acute stage of the pandemic is reversed mainly in 2021 and 2022. Wage development is assessed to remain at the same moderate 2.5 per cent on average during the forecast years.

Altogether, payroll grows by 5.0 per cent both this year and the next. Then the growth subsides to 3.7 per cent in 2023 according to the Debt Office's forecast. By comparison, it is worth noting that payroll grew by 4.0 per cent on average per year thus far during the 2000s.

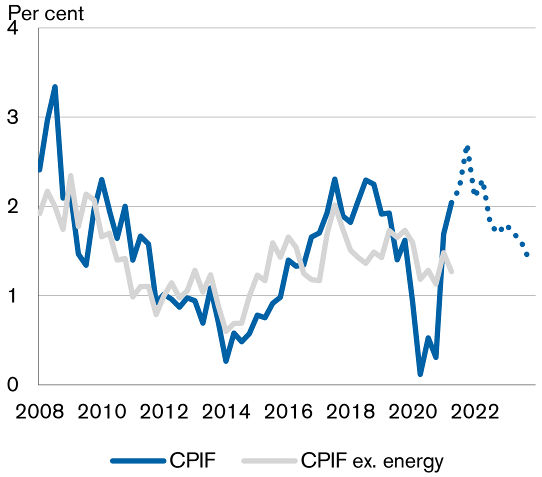
## Elevated inflation is assessed to be temporary but uncertainty is high

Inflation was low during 2020 and reached 0.5 per cent on average measured according to the CPIF. This year, it has risen faster than expected, largely driven by higher energy prices. But even adjusted for energy prices, inflation has been surprisingly high. Various measures of the underlying inflation indicate price upswings near the inflation target, partially driven by higher services prices. There is much to indicate that price pressure continues to be elevated in the coming year. The costs of sea freight have remained high, which can be expected to affect the price of larger consumer goods. The purchasing managers' index also shows both significantly longer delivery times and extensive price pressure on input goods within both industry and the service sector.

Inflation in Sweden nevertheless is expected to be relatively low from an international perspective. During the latter part of 2022 and 2023, inflation is assessed to be in line with or just under the 2 per cent target. At the same time, the strong labour market has led to a shortage of labour in certain industries, which is assessed to lead to some wage drift during 2022. With some lag, the rising resource utilisation also leads to price increases. However, futures prices for electricity and crude oil indicate lower prices in the longer term, which dampens CPIF inflation.

Altogether, the Debt Office's assessment is that CPIF inflation will end up at 2.2. per cent this year, 2.0 per cent next year and 1.7 per cent in 2023.

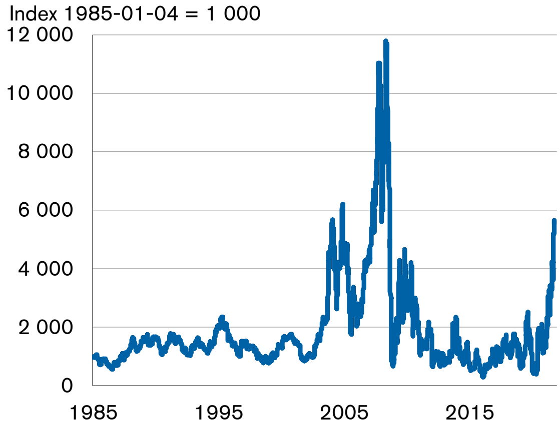
**Figure 11. Swedish inflation**




Note: Data are quarterly averages.

Source: Statistics Sweden and the Debt Office.

**Figure 12. Price of sea freight**




Note: Index with average shipping prices for "dry bulk materials" for more than 20 routes.

Source: Baltic Exchange.

## Downside risks dominate

The Debt Office's forecast entails good economic development in the next few years. Nevertheless, it remains uncertain how the pandemic will develop both in Sweden and the world. Despite the increased degree of vaccination in most Western countries, the spread of infection continues and there is a risk of it increasing over the autumn and winter in keeping with seasonal patterns as previously. This in turn would lead to various types of restrictions in communities being reinstated, which above all would affect close-contact industries, as was the case earlier in the pandemic.

Risks loom in connection with problems on the supply side of the economy and thereby mainly with effects leading to rising inflation expectations and inflation. There is thus a growing focus on the challenges that the central banks risk facing with their exit strategies. Connected in part to this is the global shortage of shipping containers and components, such as semiconductors, which has caused repeated production stops, delivery problems and rising prices for input goods. Recently, an acute shortage of electricity in China has led to additional bottlenecks in the supply of goods. If inflation and inflation expectations continue to increase, global monetary policy may need to be tightened faster than expected.

Even if the upswing in inflation turns out to be temporary, there is significant uncertainty in regard to the phasing out the economic-policy measures. If the measures remain in place for long, they risk impeding a necessary structural transformation and increasing financial imbalances in the economy. Examples of imbalances of this kind are sharply rising asset prices and continued increased indebtedness in many countries.

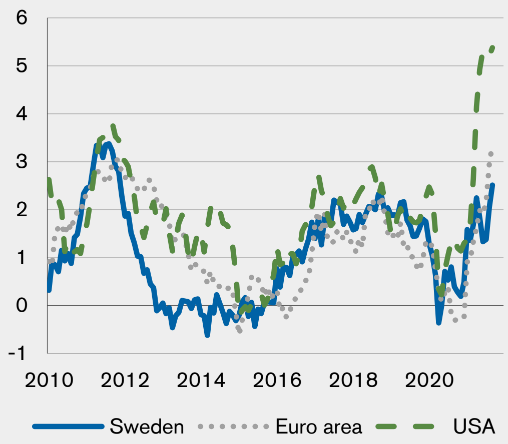
The issue of Cementa's permit to be able to continue mining limestone at its quarries is an additional difficult-to-determine risk in the forecast. The Government has support in the Riksdag (Swedish Parliament) for a solution entailing that the company would be able to continue its lime-quarrying operations until mid-2022. However, appeals and legal processes, which the Government has limited possibilities to influence, mean that the prospects are uncertain in both the short and long term. A cessation of production would have a significantly adverse impact on construction in Sweden and thereby adversely affect both growth and employment.

## Inflation – what determines if increase is temporary?

Since the turn of the year, there has been a fast and relatively large increase in inflation. This pattern exists not only in Sweden but in many countries, even if the size of the increases varies (see the figure below on the left). The question of how long the inflation will remain is important for many reasons. It matters from a narrower perspective because the central government budget is in nominal terms and from a broader perspective because the inflation trend affects both market interest rates and the central banks' monetary policy.

What the analyses of inflation in Sweden and the surrounding world have in common is the distinction between the shorter and longer term in regard to both demand and supply effects. In the short term, it is clear that the re-start after the easing of pandemic restrictions has involved a sharp increase in demand. At the same time, delivery disturbances have had an increasingly distinct effect on supply, due among other things to cases of illness and previous shutdowns. The consequences of this have already been apparent in actual statistical outcomes with clear increases in the rate of inflation, for example due to rising energy prices and, in the case of the US, higher prices for used cars.

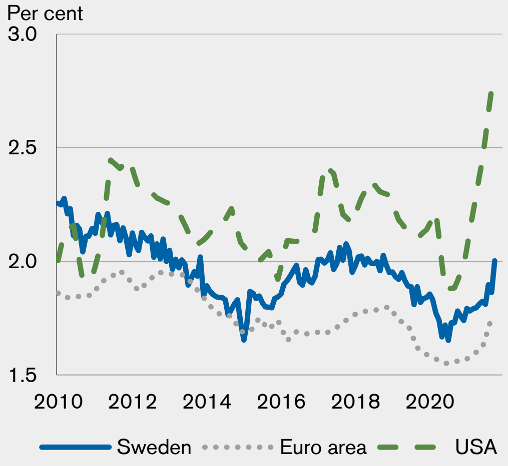
**Inflation**




Note: CPI for Sweden and the USA, HICP for euro area.

Sources: Statistics Sweden, Eurostat and Bureau of Labor Statistics.

**Inflation expectations, long-term**




Note: Based on survey of market participants. Five-year expectations for the USA and Sweden and long-term for euro area.

Sources: TNS Prospera, European Central Bank and Federal Reserve Bank of Philadelphia.

In the longer term, the rate of inflation is normally dictated by other factors. This pertains mostly to the rate of wage increases and long-term inflation expectations (see the figure above on the right). For some years now, several structural changes on the supply side have also had an inhibiting effect on inflation, such as globalisation and digitalisation. In the current situation, however, the impact of supply could be the opposite. For example, it is uncertain how long-lasting the effects will be of the deteriorated matching seen in the labour market in the wake of the pandemic as well as the geopolitical tensions affecting the energy supply. The green transition, not least in the form of an increased focus on electric power, also has the potential to create long-term effects on both energy prices and supply and demand of, for example, a number of metals.

In terms of demand in the economy, an increasingly strained labour market could cause more rapid wage increases, which can already be seen in outcomes. On the other hand, this development seems to be matched by increased productivity, among other things as a result of the digitalisation that has occurred during the pandemic. With increased productivity, the wage increases will not drive inflation.

Altogether, the inflation trend in the near term is more difficult to analyse than usual, not least because the supply factors may play a different role than was the case in recent decades. Probably the most important aspect concerning the outcomes for inflation to come is not precisely how long it will remain or the actual economic effects of those outcomes, but how the market and economic policy decision-makers will react to the new information and how that will affect the economic development. Also, the uncertainty is asymmetrical in the sense that persistently lower inflation than expected will probably not affect monetary policy as much as persistently higher inflation.

# Budget balance shows surplus

Continued economic recovery leads to increased income from taxes and thereby stronger central government finances. The Debt Office now expects the budget balance to already be positive this year and the surplus to then grow during next year and in 2023. The upward revision of the budget balance is mainly due to the expectation that tax income will be higher but also to the fact that spending will be lower. During the three forecast years, the Riksbank's repayment of foreign currency loans at the Debt Office makes up a large part of the surplus. Central government net lending, which is not affected by the Riksbank's loans, remains negative this year, is in balance in 2022 and becomes positive in 2023.

The Debt Office's new forecast shows a surplus in the central government budget of SEK 22 billion in 2021, SEK 94 billion in 2022, and SEK 107 billion in 2023 (see Table 1 and Figure 2). Compared with the forecast in May, this entails a strengthening of the budget balance by altogether SEK 55 billion for 2021 and 2022 – and a corresponding decrease of the net borrowing requirement.

The budget balance has developed better than expected since the previous forecast, mainly because of higher tax income. At the same time, the pandemic-related expenditure weighs down the primary balance, which continues to show a deficit in 2021. Next year, the deficit turns into a surplus as the pandemic expenditure is phased out while the economy continues to develop strongly. Disbursements of funds from the EU Recovery and Resilience Facility also have a positive effect in 2022 and 2023 (see the box on page 23).

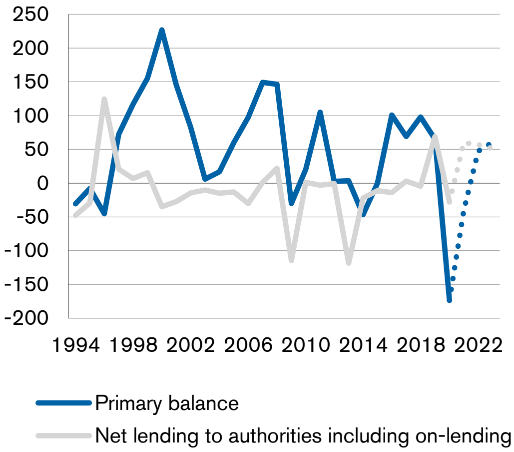
**Table 1. Central government budget balance, forecast 2021–2023**

| | 2021 | | 2022 | | 2023 |
|---|---|---|---|---|---|
| **SEK billion** | Oct | (May) | Oct | (May) | Oct |
| Primary balance[1] | -40 | (-55) | 47 | (17) | 61 |
| Debt Office net lending[2,3] | 60 | (49) | 57 | (57) | 51 |
| of which on-lending to the Riksbank | 57 | (57) | 61 | (61) | 64 |
| Interest payments[3] | 3 | (2) | -10 | (-9) | -4 |
| **Budget balance[4]** | **22** | **(-4)** | **94** | **(65)** | **107** |
| **Budget balance excl. on-lending to the Riksbank** | **-35** | **(-60)** | **33** | **(4)** | **44** |
| **Central government net lending** | **-93** | **(-103)** | **-3** | **(-31)** | **39** |

[1] The primary balance is the net of income and expenditure excluding interest payments and net lending by the Debt Office.
[2] Net lending by the Debt Office mainly comprises the net of government agencies' loans and deposits in the central government's internal bank.
[3] The table shows the net lending and interest on central government debt in terms of how they affect the budget balance. The signs are therefore reversed compared with that shown in Tables 4 and 5.
[4] The budget balance with the opposite sign is the central government net borrowing requirement.

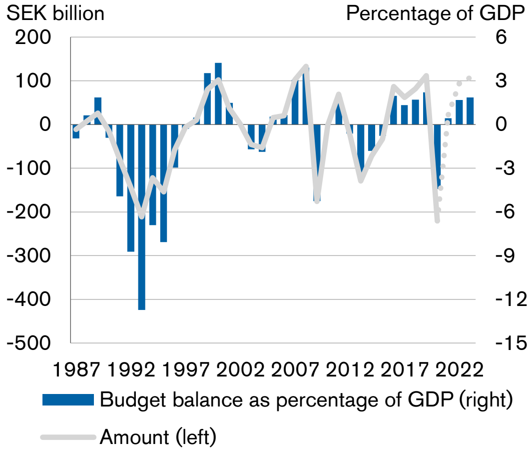
Net lending by the Debt Office has a significantly positive effect on the budget balance in all the forecast years (see Table 1 and Figure 1). This is because the loans raised by the Debt Office to fund the Riksbank's foreign exchange reserves are being paid back. Interest on central government debt continues to have a small impact on the budget balance.

**Figure 1. Primary balance and effect of Debt Office net lending on budget balance**




Source: The Debt Office.

**Figure 2. Budget balance over time**




Sources: Statistics Sweden and the Debt Office.

**Table 2. Major forecast changes in the budget balance**

| SEK Billion | 2021 | 2022 |
|---|---|---|
| **Forecast May 2021** | **-4** | **65** |
| **Budget balance** | **14** | **30** |
| Of which: | | |
| Tax income excluding capital placements in tax accounts | 13 | 1 |
| Capital placements in tax accounts | -5 | 5 |
| Dividends | 0 | 0 |
| Government grants to local governments | 0 | -4 |
| Labour market | 3 | 1 |
| Social insurance | -6 | -5 |
| Migration | 2 | 1 |
| International aid | 4 | 0 |
| Other[1] | 4 | 33 |
| **Debt Office net lending** | **11** | **0** |
| **Interest payments** | **1** | **-1** |
| **Forecast October 2021** | **22** | **94** |

Note: The table shows changes in terms of the budget balance. A positive amount means that the budget balance is strengthened and vice versa.

[1]Included in the previous forecast unspecified reforms for 2022. Because the Government has presented its proposed reforms, these income and expenditure changes have been moved to their different respective areas, making the post "Other" smaller and thereby strengthening the budget balance compared with the previous forecast. The post is also affected by the revised economic picture and the adjusted assessments based on outcomes and new information in the Budget Bill.

The higher budget balance for 2021 compared with the previous forecast is above all due to higher income from taxes but also to lower expenditure (see Table 2). Net lending by the Debt Office is at the same time expected to contribute SEK 11 billion more to the budget balance than in the previous forecast, as a result of an increase in deposits from a number of agencies. These positive effects are partially offset by the amending budgets presented for this year, which weaken the balance more than was assumed in the previous forecast (see the box below).

The revised macro picture with a higher payroll and GDP level leads to a stronger budget balance in 2022 as well, compared with the May forecast. Tax income is expected to become slightly higher and the reforms in the Budget Bill for 2022 do not affect the forecast to any great extent because the Debt Office already had an assumption of reforms of the same size in the May forecast. Expenditure has been revised downwards overall for next year compared with the previous forecast. This applies to labour market spending but also to a number of other areas, due to an improved economy, lower volumes and new assessments based on outcome and new budget information.

### Extensive reforms in 2022 but decreased initiatives in 2023

In the Budget Bill for 2022, the Government proposes unfunded reforms amounting to a total of SEK 74 billion. These pertain to, among other things, measures within healthcare and medicine, the labour market, and the climate transition.

About SEK 60 billion of the proposed reforms presented for 2022 consists of increased expenditure, while it is proposed that taxes be reduced by approximately SEK 13 billion. The tax cuts are primarily aimed at households, and the largest measure is a labour tax reduction with an emphasis on low and middle income earners. Among the larger measures on the expenditure side are a number of climate and environmental initiatives, government grants to local and regional governments and the introduction of a "family week". Measures related to the continued management of the pandemic amount to almost SEK 9 billion.

Since the Debt Office's previous forecast in May, further fiscal policy initiatives have also been presented for 2021 that total SEK 40 billion. Of these were SEK 17 billion in two extra amending budgets and SEK 23 billion in the autumn amending budget.

Of the total budgeted amount for this year, the Debt Office assesses that approximately SEK 30 billion will be used. Several of the initiatives are pandemic-related measures and the Debt Office assumes that some of these will be utilised to a lesser extent than for which they are budgeted. For 2022, however the Debt Office expects the entire amount of SEK 74 billion to be used. The Debt Office's assumption is that there will then be additional unfunded reforms of SEK 30 billion for 2023.

## Central government net lending gradually approaches surplus

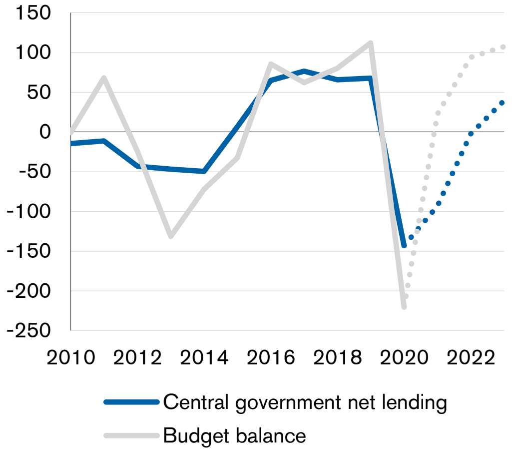
Central government net lending is expected to amount to SEK -93 billion this year and SEK -3 billion next year (see Table 1 and Figure 3). For 2023, central government net lending is expected to show a surplus of SEK 39 billion. The net lending corresponds to -1.8 per cent, 0.0 per cent, and

0.7 per cent of GDP for each respective year. Compared with the previous forecast, this is an improvement of 0.2 percentage points for 2021 and 0.5 percentage points for 2022.

Central government net lending normally develops more evenly than the budget balance. The biggest difference between the budget balance and the central government net lending is due to the loans that the Riksbank is paying back to the central government. These improve the budget balance but not the net lending. Other differences are due to accrual effects on taxes such as the deferral of tax payments via respites, and capital placements in tax accounts.

**Figure 3. Central government net lending and budget balance**

SEK billion




Source: National Institute of Economic Research and the Debt Office.

**Table 3. Tax income, change from previous forecast**

| SEK billion | 2021 | 2022 |
|---|---|---|
| Payroll taxes | 12 | 4 |
| Consumption taxes | 3 | 5 |
| Corporate taxes | -1 | 4 |
| Supplementary taxes | -7 | -8 |
| **Total change** | **8** | **6** |

Note: The table shows changes in terms of the budget balance.

## Higher income from taxes both this year and the next

Since the previous forecast, income from taxes has been SEK 12 billion higher than expected (see Figure 4). Payroll taxes, value added tax (VAT), and supplementary tax have all developed unexpectedly strongly. This outcome in combination with an upward revision of the forecast of the macroeconomic development has led to a higher assessment of tax income in 2021 than in the previous forecast. The income from taxes will also be higher next year, despite the tax cuts of SEK 13 billion in the Government's budget. Tax income then grows more slowly in 2023 as the rate of growth in the economy subsides.

Both payroll taxes and consumption taxes are now assessed to develop stronger than in the previous forecast (see Table 3). Corporate taxes are also expected to be higher next year, while supplementary tax is lower for both years. The fact that the supplementary tax is lower is due to an assumption of higher excess tax for companies as well as a lower net inflow of capital placements in tax accounts this year.

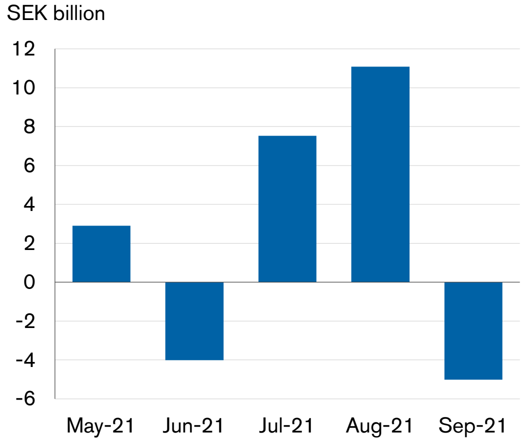
### Higher income from payroll taxes, VAT, and corporate taxes

Payroll taxes – which consist of, among other things, income tax and employers' contributions – are expected to be higher than previously because payroll is assumed to grow significantly faster in 2021 and 2022 (see Table 3). This is partly offset by tax cuts. In total, payroll taxes are revised up by a few billion kronor next year. In 2023, a weaker payroll trend causes payroll taxes to also increase at a slower rate.

Income from taxes on consumption also becomes higher in 2021 and 2022 than previously expected, which is a result of the economic development. Investments increase surprisingly strongly in the current year and the rate of household consumption is revised up next year. This leads to higher income from VAT. The VAT income continues to increase in 2023.

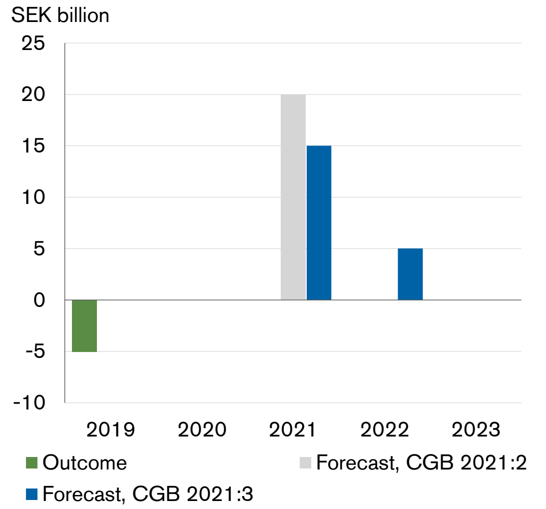
Tax from companies in 2021 is expected to be approximately the same as in the previous forecast and somewhat higher next year. Delivery problems for companies may have some dampening effect on profits in the short-term. However, at the same time the underlying demand is considered to remain good, which suggests rising profits in periods ahead. Despite the pandemic, profits overall this year are assessed to significantly exceed the level of 2019. This is a result of strong demand but also of the fact that many companies have been able to reduce their costs during the pandemic for things such as travel. Profits are expected to develop more slowly in 2022 and 2023.

**Figure 4. Central government tax income, difference between outcome and forecast**




Sources: The Swedish Tax Agency and the Debt Office.

**Figure 5. Net flow of capital placements in tax accounts**




Note: The figure displays the net flow of extra deposits in tax accounts. For 2019 and 2020 outcomes according to the Swedish National Financial Management Authority are shown.

Sources: The Swedish National Financial Management Authority, the Swedish Tax Agency and the Debt Office.

### Supplementary tax is lower in both 2021 and 2022

Supplementary tax is assessed to be lower both this year and the next compared with the previous forecast. This is a result of, among other things, the expectation that companies' excess tax will be greater. The downward revision for this year is also due to the Debt Office's assumption of a lower level of capital placements in tax accounts. Among other things, a higher surplus of capital is at the same time expected to have a counteracting, positive, effect on the supplementary tax.

The Debt Office's new assessment for capital placements in tax accounts entails a decrease of the net inflow by SEK 5 billion in 2021 compared with the previous forecast. The change results from larger withdrawals during the autumn. Nevertheless, the Debt Office does not consider the withdrawals to be indicative of a general re-evaluation of tax accounts as an alternative for placing funds. For 2022, the Debt Office assumes increased capital placements by SEK 5 billion over the previous forecast, in which the level was assumed to be unchanged. Figure 5 shows the assumptions for the trend of capital placements. The Debt Office estimates that capital investments will amount to around SEK 70 billion at the end of 2021.

Several factors indicate that tax accounts remain an attractive investment option, particularly for companies. Even though market expectations point towards higher interest rates, the expected upturn is slow, and not until the end of 2023 can interest rates be at a level that may affect the desire to place funds in tax accounts. The central banks also continue to indicate expansionary monetary policy during the entire forecast period. Good profit development for companies as well as the large amount of capital in circulation in the financial markets also imply somewhat increased placements in tax accounts.

The preliminary taxation outcome for the income year 2020 indicates that both services income and income from interest and dividends will be higher than expected, which has a positive effect on supplementary payments this year. Higher capital gains than previously assumed also cause the supplementary payments next year to rise somewhat. The assumption of higher capital gains is largely founded on high asset prices and a high level of activity in the housing market.

**Dividends in line with previous forecast**

Dividends on government shares are mostly unchanged since the previous forecast. The level for 2023 is assessed to be about the same as for 2022. The two companies expected to distribute the most are Vattenfall and LKAB. The net income of these companies is affected by electricity and iron ore prices respectively, making the forecasts uncertain.

## Brighter view of economy leads to lower government spending ahead

Central government spending increased a great deal during 2020 as a result of the pandemic and continues to increase this year. Over the coming two years, it will then decrease slightly. Compared with the previous forecast, the Debt Office now assumes a slight reduction in spending. This mainly concerns a decrease in expenditure that is sensitive to the business cycle, such as labour market expenditure.

This year, continued measures related to the pandemic cause the level of spending to remain high. At the same time, the economic recovery has contributed to the outcome so far being somewhat lower than expected. Expenditure for the last quarter of the year has also been revised down. Aside from the expectation that expenditure sensitive to the business cycle will be lower, the Debt Office has made new assessments involving lower expenditure for among other things migration and international grants. This is partially offset by the fact that the level of expenditure presented in the amending budgets during the summer and autumn is higher than in the Debt Office's assumption from May (see the box on page 19).

For next year, several – but not all – pandemic-related measures and support will be discontinued. This is offset by a simultaneous increase in expenditure resulting from the reforms presented in the Budget Bill for 2022 of around SEK 60 billion on the expenditure side (see the box on page 19).

The Government's budget does not, however, entail an upward revision in the Debt Office's forecast, because the reforms were in line with the assumption from the previous forecast. The Debt Office has instead revised down the expenditure somewhat for 2022. It is, among other things, the labour-market related expenditure that is expected to be lower.

For 2023, there is somewhat of a decrease in expenditure compared with 2022 as, for example, further pandemic-related measures are being lifted. This is the case despite the Debt Office's assumption of unfunded reforms of SEK 30 billion for 2023. These reforms are included in the forecast as unspecified expenditure.

**Spending decreases for unemployment insurance but not for labour market measures**
Expenditure for the labour market has increased in pace with the rise in unemployment due to the pandemic, but it decreases ahead as the number of unemployed registered with the Swedish Public Employment Service falls back. The brighter economy also means that expenditure for unemployment insurance has been revised down compared with the previous forecast. Expenditure for unemployment insurance is temporarily elevated this year and the next because the ceiling for compensation based on income is temporarily raised, at the same time as the qualification requirements have been lowered. These temporary rule changes will no longer apply after 2022.

Expenditure for labour market policy programmes and services this year is revised down as a result of lower unemployment than in the previous forecast, which entails fewer people in the labour market policy measures. Next year, the expenditure is revised up slightly as a result of the reforms presented in the Budget Bill. Despite declining unemployment, the number of long-term unemployed is expected to remain at a high level (see the previous chapter). Therefore this expenditure will increase next year and will not decrease until 2023. Expenditure for the introduction benefit is lower than usual because immigration continues to be low.

Overall, the Debt Office has revised down the expenditure for labour market-related spending both this year and the next (see Table 2).

**Government reforms mean higher social insurance expenditure**
Expenditure within social insurance will be higher this year compared with the previous forecast (see Table 2). This is due to an extension of the compensation for high sick-pay costs and the cost becoming higher. Next year, Government reforms will entail an increase in state costs for pensions, the sickness benefit, and the temporary parental benefit. However, the increase is dampened by a decrease in the number of parental days used. Altogether, expenditure for social insurance is revised up for 2022.

## Funds from the EU recovery facility to the state budget

The extensive stimulus package called Next Generation EU (NGEU) was launched this year. Around 90 per cent of the package involves loans and grants to EU Member States with the aim of supporting the recovery from the pandemic – called the Recovery and Resilience Facility, RRF. The remaining 10 per cent is to go to strengthening the EU's regular long-term budget.

Around half of the RRF, is designated for loans to Member States and the remainder is in the form of grants distributed on the basis of how economies have been affected by the pandemic. Sweden is not applying for a loan, rather exclusively for grants under the RRF. Member States wishing to receive grants must submit a plan with proposed measures for recovery from the pandemic. The EU requires that at least 37 per cent of the measures support a green climate transition and at least 20 per cent support a digital transition. The recovery plan must also be in line with the EU's country-specific recommendations of recent years.

The Swedish recovery plan was submitted at the end of May and contains measures for SEK 34 billion. All measures in the plan are contained in the Budget Bills and amending budgets for 2020 and 2021. Half of this concerns measures within the focus area of Green recovery, which includes measures under the Climate Leap (Klimatklivet) and the Green Industry Leap (Industriklivet) programmes, support for making buildings energy efficient, the protection of valuable natural resources, and rail transport initiatives. Initiatives within other focus areas include promoting elderly care, the expansion of broadband, and research on digitalisation, as well as an increased number of openings in higher education.

Sweden is not applying for advance financing for the grants. Instead, the funds from the EU will be disbursed retroactively. Almost SEK 30 billion of the recovery plan concerns expenditure up to and including 2023, that is, within the scope of this forecast. The EU has yet to approve Sweden's recovery plan and no financing plan has been established, which makes it difficult to forecast the payments. The Debt Office does not expect any funds to be paid out this year, but that Sweden will receive payments from the EU of SEK 12 billion in 2022 and SEK 10 billion in 2023.

NGEU is funded by borrowing in the capital market whereby the EU issues bonds, of which around 30 per cent of the planned borrowing will be through green bonds. The total size that the stimulus package will ultimately reach depends on the amount of grants and loans applied for by the Member States. Eligibility for participation in the RRF extends until 2026. Repayment of the extensive stimulus package is planned for 2028 and onwards, with the possibility for this to occur sooner, and the borrowing is to be repaid in its entirety by 2058.

## Debt Office net lending has positive effect all three years

Net lending by the Debt Office to agencies etc. has a positive impact on the budget balance throughout the forecast period (see the box on the next page for a description of the effect of net lending by the Debt Office on central government finances). This is essentially because the loans raised by the Debt Office on behalf of the Riksbank for funding the foreign exchange reserves are repaid as they mature.

Loans to the Riksbank totalling SEK 57 billion mature this year (in February, September, and October) and SEK 61 billion in 2022 (in February, March, and October). In 2023, loans to the Riksbank mature for altogether SEK 64 billion in February and April. In March 2022, the Swedish Export Credit Corporation will also be repaying a SEK 10 billion loan to the Debt Office.

Net lending is expected to be approximately SEK 11 billion lower in 2021, compared with the Debt Office's previous forecast. This is mainly due to a higher level of deposits from a number of agencies and in the premium pension system. For 2022, the forecast for net lending by the Debt Office remains largely unchanged.

**Table 4. Net lending by the Debt Office per year**

| SEK billion | 2021 | 2022 | 2023 |
|---|---|---|---|
| **Lending, of which** | **-41** | **-52** | **-47** |
| Swedish Board of Student Finance | 12 | 12 | 12 |
| Swedish Transport Administration | 1 | 5 | 1 |
| State-owned enterprises | 0 | -10 | 0 |
| On-lending to the Riksbank | -57 | -61 | -64 |
| Other | 3 | 3 | 3 |
| **Deposits, of which** | **19** | **5** | **4** |
| Swedish Board of Student Finance, credit res etc. | 1 | 2 | 2 |
| Resolution reserve | 4 | 4 | 4 |
| Premium pension system, net[1] | 0 | -4 | -5 |
| Other | 14 | 3 | 2 |
| **Net lending** | **-60** | **-57** | **-51** |
| **Net lending excluding on-lending to the Riksbank** | **-3** | **4** | **13** |

[1] Premium pension refers to the net of paid-in pension fees, disbursement of funds and other management costs.

## Debt Office net lending – a special expenditure item

Net lending by the Debt Office to government agencies and other parties is an item on the expenditure side of the central government budget. This means that increased net lending by the Debt Office weakens the budget balance. This can also be expressed by saying that the net borrowing requirement increases.

Net lending to government agencies and other parties is not financed by appropriations and does not come under the expenditure ceiling. It consists of the change in all lending and depositing in the central government's internal bank (treasury), at the Debt Office. Net lending covers ongoing central government activities – such as student loans, deposits in the premium pension system and lending to infrastructure investments – as well as items such as on-lending to the Riksbank and other countries. These items may be decided at short notice, and they can contribute to strong variations in net lending from year to year.

Net lending by the Debt Office affects the budget balance and central government debt. In contrast, central government net lending is only affected by certain parts of the Debt Office's net lending. For example, the payment and amortisation of student loans affect net lending by the Debt Office but not central government net lending.

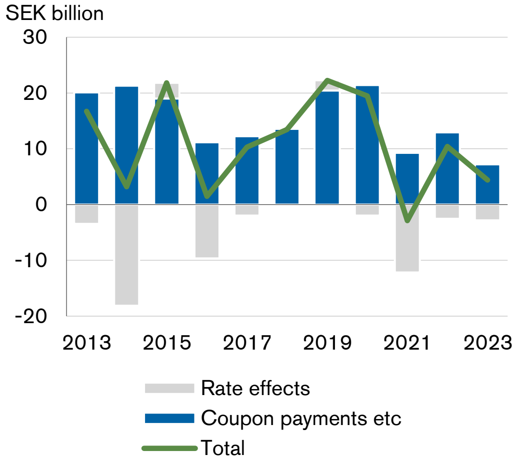
## Interest payments on central government debt remain low

Interest payments on the central government debt are expected to be low during the forecast period as the gradually declining market interest rates over a long period have an impact on the stock of outstanding bonds. Interest payments amount to SEK -2.9 billion this year, SEK 10.4 billion in 2022, and SEK 4.4 billion in 2023. The forecast is revised down slightly for this year and up slightly for 2022.

**Table 5. Interest payments on central government debt**

| SEK billion | 2021 | 2022 | 2023 |
|---|---|---|---|
| Interest on loans in SEK | -1,2 | 8,1 | 4,1 |
| Interest on loans in foreign currency | -0,6 | -0,5 | -0,6 |
| Realised currency gains and losses | -1,1 | 2,8 | 0,9 |
| **Interest payments** | **-2,9** | **10,4** | **4,4** |

**Figure 6. Interest payments 2013-2023**




Source: The Debt Office.

The fact that interest payments increase between 2021 and 2022 is due among other things to the Debt Office paying out inflation compensation for an inflation-linked bond next year that is maturing, as well as larger realised foreign currency losses. In addition, it is assumed that a smaller volume of bonds will be issued at a premium. The premium arises when the coupon on the bond being issued is higher than the market interest rate at the time of the sale.

Between 2022 and 2023, interest payments decrease instead, which is primarily due to a bond with a relatively high nominal yield (coupon rate) maturing in 2022. The coupon payments will therefore be somewhat lower the following year. For 2023 there is also no effect of accrued inflation compensation as there was in 2022, given that no inflation-linked bond is maturing in 2023.

The Debt Office uses cut-off rates in calculating central government interest payments and in measuring the Riksbank's foreign currency loans. The cut-off date for this forecast is 30 September 2021.

## Forecast uncertainty decreases for budget balance

The economic recovery from the pandemic has occurred faster than expected. Forecasts have been progressively revised up, but the outcomes for economic variables have nevertheless most often been unexpectedly positive. This applies not least to the central government budget balance. Aside from income from taxes being higher, the fiscal policy measures have been utilised to a lower extent than anticipated.

Provided that the pandemic does not take a turn for the worse in periods ahead, uncertainty in regard to the central government's spending should decrease during the forecast period, compared with 2020 and 2021. The uncertainty in regard to the labour market and its effects on tax income should also most likely return to a more normal level. During the pandemic, these effects have been difficult to forecast because major support aimed at companies has kept wage incomes from deteriorating as much as they would have otherwise.

The central government's tax income from capital has also not fallen as much as was initially assumed, which is the result of rising asset prices and profits for companies. Here, the forecast uncertainty remains high because capital taxes have historically been more volatile than other tax bases.

Inflation is an uncertainty as is its impact on the budget balance. In the short term, higher inflation would lead to higher income from taxes such as VAT and excise duties. At the same time, central government expenditure is affected via purchases of goods and services and higher inflation compensation for inflation-linked bonds. In the longer term, many transfer payments are also affected by price developments via the price base amount, for which changes occur with a lag.

Tax account deposits that are not intended for taxes remain a major uncertainty. They are assessed to continue to increase during the forecast period, but the available statistics concerning the deposits are difficult to interpret. The incentive for, above all, companies to use tax accounts for placing funds will remain as long as there is a low interest rate environment. Tax accounts also carry the same low credit risk as government securities but are simultaneously a more liquid investment. Making assessments for deposits in, and withdrawals from, tax accounts is associated with great uncertainty and – given the size of the current stock of capital placements – there could be relatively large deviations from the forecast.

# Supply of government securities decreases

The stronger forecast of the budget balance means that the central government borrowing requirement will be lower than previously expected. The Debt Office is therefore refraining from the planned issuance in foreign currency this year and is lowering the krona-issuance volume in nominal government bonds. The short-term borrowing will also be somewhat lower than in the previous plan. The Debt Office is reducing the issuance volume of inflation-linked bonds as well, in order to steer the share of inflation-linked debt towards the target level. Altogether, the reduced borrowing causes the central government debt to shift downwards this year and continue to decrease thereafter.

As a result of the new forecast of the budget balance, the central government net borrowing requirement decreases over 2021 and 2022 by SEK 55 billion compared with the previous forecast. The total borrowing requirement, which also includes the refinancing of maturing loans, drops by SEK 72 billion for both years in total (see Figure 1). The total borrowing requirement is expected to be SEK 337 billion for 2021, SEK 330 billion in 2022 and SEK 315 billion in 2023.

Table 1 and Figure 2 show how the net borrowing requirement is financed.

**Table 1. Borrowing plan**

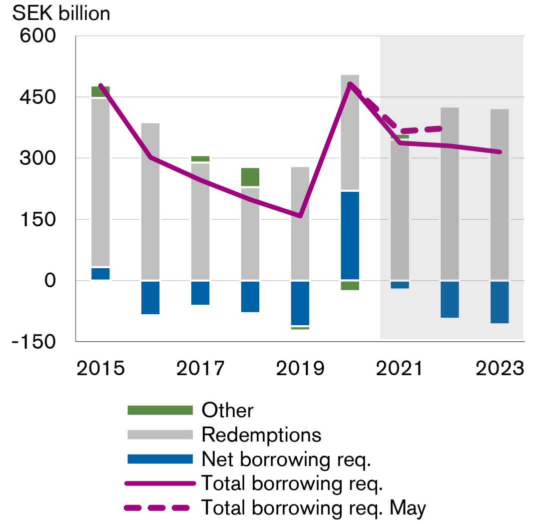
| SEK billion | 2020 | 2021 | | 2022 | | 2023 |
|---|---|---|---|---|---|---|
| | Outcome | Oct | (May) | Oct | (May) | Oct |
| **Money market funding** | **305** | **234** | **(243)** | **250** | **(266)** | **252** |
| T-bills | 173 | 120 | (138) | 183 | (183) | 130 |
| Liquidity management | 132 | 114 | (106) | 68 | (83) | 122 |
| **Bond funding** | **176** | **103** | **(122)** | **80** | **(108)** | **63** |
| 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 |
| 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 |
| **Total gross borrowing** | **481** | **337** | **(366)** | **330** | **(374)** | **315** |

Note: Borrowing in the money market corresponds to outstanding stock at year-end. The previous forecast is in parentheses.

In the new plan, both the long-term borrowing in the capital market and the short-term borrowing in the money market are less than in the previous plan (see Table 1). The reduction is made in order to meet the stronger budget balances for 2021 and 2022 and the expected surplus in the central government budget for 2023. The Debt Office is both cancelling the planned bond loan in foreign currency and in addition reducing the issuance volume of nominal government bonds. Borrowing in inflation-linked bonds is also being reduced, but this change is in order to steer the share of inflation-linked debt towards the target level. The Debt Office's policy for using different debt instruments is described in the box on page 31.

The plan does not contain any upcoming issuance of green bonds, which is unchanged from the forecast in May. In its proposed guidelines for central government debt management, the Debt Office has requested that the Government provide information about any further issuance of green bonds, now that the initial assignment has been completed. For instance, in accordance with the framework for government green bonds, the Government must decide on the scope of the eligible green expenditure in the central government budget every year.

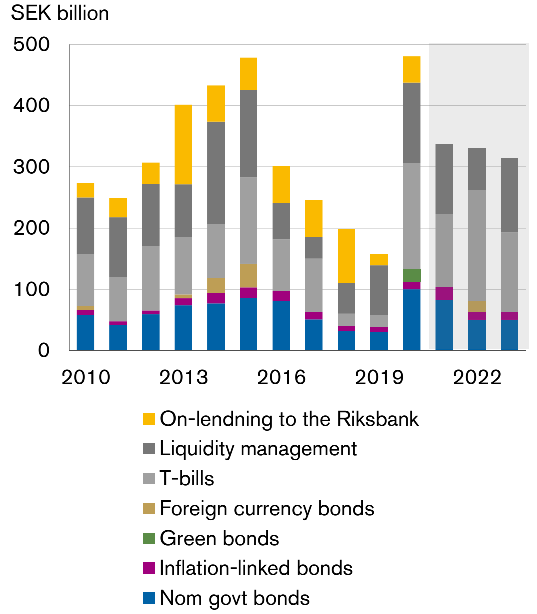
**Figure 1. Gross borrowing requirement**




Note: The net borrowing requirement is the budget balance with the opposite sign. The post "Other" includes an adjustment due to the net borrowing requirement being reported by settlement date whereas borrowing is reported by trade date. See more detailed information in Table A6 of the Appendix.

Sources: The Debt Office.

**Figure 2. Borrowing by instrument**




Note: Borrowing per calendar year. The amount of treasury bills and liquidity management instruments refers to outstanding stock at year-end.

Sources: The Debt Office.

## Lower issuance of nominal government bonds

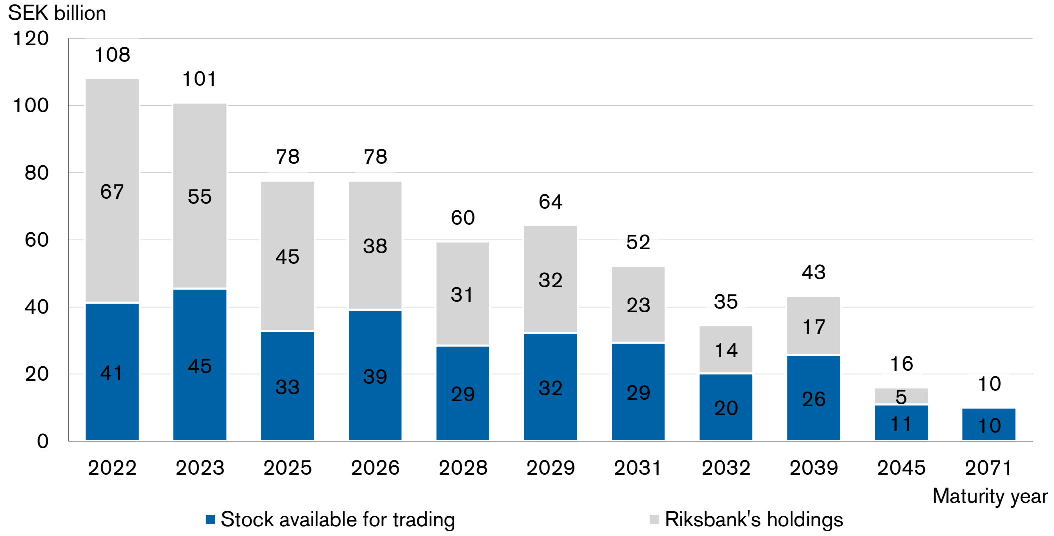
The issuance volume of nominal government bonds is being reduced from the current SEK 3.5 billion per auction to SEK 2.5 billion starting 17 November 2021 and will remain at this level throughout the forecast period. Thereby, the annual issuance volume of nominal government bonds will be SEK 82.5 billion for 2021, SEK 50 billion in 2022, and SEK 50 billion in 2023 (see Figure 2).

Regarding term to maturity, the majority of auctions during the forecast period will be held in the ten-year segment, as a result of among other things the introduction of a new ten-year bond. The two-year and five-year reference bonds will also be prioritised in the auctions (see Table 3). Accordingly, very limited room remains for issuance in other maturities.

The Debt Office is introducing a new ten-year government bond in April 2022 that will mature in May 3033 (see Table 2). After the introduction, the Debt Office intends to build up the outstanding volume by reserving the two subsequent auctions for the new bond. The volume in these auctions will be increased to SEK 5 billion each. Thereafter, only one switch-auction be offered.

The way in which the introduction will be carried out this time differs from the procedure that the Debt Office normally uses, whereby the volume is largely built up using switches in which the Debt Office repurchases outstanding bonds at the same time as the new ones are issued. The basis for repurchase is limited for the time being, because only part of the outstanding stock of nominal government bonds is available for trading (see Figure 3). Therefore, it is the Debt Office's assessment that it is more cost-effective to sell newly introduced bonds without simultaneously repurchasing other bonds.

**Figure 3. Outstanding stock of nominal government bonds and the Riksbank's holdings**




Note: Nominal government bonds as of 30 September 2021.
Sources: The Debt Office and the Riksbank.

**Table 2. Important dates**

| Date | Time | Activity |
|---|---|---|
| **24 Feb** | 09.30 | Borrowing forecast 2022:1 |
| **6 Apr** | 11:00 | Introduction of SGB 1065 |
| **12 Apr** | 09.30 | Terms for switch to SGB 1065 |
| **20 Apr** | 11.00 | Larger auction volume SGB 1065 |
| **4 May** | 11.00 | Larger auction volume SGB 1065 |
| **5 May** | 11.00 | Switch to SGB 1065 |

**Table 3. Reference bonds**

| Date of change | 2-year | 5-year | 10-year |
|---|---|---|---|
| **Current** | 1057 | 1059 | 1056 |
| **15-Jun-22** | 1058 | 1060 | |
| **21-Sep-22** | | | 1065 |

The reference bond in the electronic interbank market is the bond that is closest to two, five or ten years in term to maturity. Reference bonds are changed on the IMM dates (International Money Market): the third Wednesday in March, June, September, and December.

The date of change of reference bonds refers to the settlement date.

## Borrowing policy forms basis of issuance planning

The Debt Office maintains a borrowing policy for, among other things, which types of debt instruments are used and how priorities are made between the instruments and between different maturities.

**Nominal government bonds are the most important source of funding**

Nominal government bonds are the Debt Office's largest and most important funding source. These are therefore prioritised over other instruments in the borrowing. The Debt Office offers regular issues through auctions according to a pre-determined borrowing plan. Selling smaller volumes on many occasions reduces the risk of needing to borrow large volumes at times when market conditions are unfavourable. At the same time, investors are offered continual access to government bonds via the primary market.

An important part of the strategy for minimising borrowing costs over the long term is to act in a predictable manner and build up sufficient volume in certain prioritised maturities, in order to ensure good liquidity. This means that the Debt Office adjusts the borrowing in government bonds to short-term conditions in the market only to a limited extent.

The Debt Office also endeavours to maintain relatively even redemptions in its stock of bonds, in terms of both size and time, in order to avoid excessive refinancing needs during individual years.

**Inflation-linked bonds are a complement to nominal government bonds**

By issuing inflation-linked bonds, the Debt Office can attract investors who want to protect themselves against inflation. The inflation-linked bond issuance should be large enough to enable good liquid trading conditions in these bonds, yet not so large that it crowds out nominal bonds and worsens liquidity conditions in that market.

For inflation-linked bonds as well, the Debt Office regularly issues by auction and strives for even redemptions. In order to facilitate reinvestment at maturity, the Debt Office strives to limit the outstanding volume in maturing bonds by offering switches to longer bonds.

**Bonds in foreign currency contribute to good borrowing preparedness**

In the international capital market, the Debt Office is able to reach a larger group of investors and to borrow large amounts in a short span of time. There are therefore reasons for issuing bonds in foreign currency even when the borrowing requirement is small in order to maintain the preparedness to borrow large amounts when necessary. The Debt Office also issues securities with shorter maturity in foreign currency.

Because the Debt Office is a small player in the international capital market, as opposed to the Swedish krona market, there are greater opportunities for flexibility and adapting the borrowing according to prevailing market conditions in the international arena.

**Treasury bills are used to balance fluctuations in the borrowing requirement**

Using T-bills, the Debt Office can borrow in short maturities in the Swedish krona market. Treasury bills are issued regularly through auctions and can also be sold through tap issues within the liquidity management operations. T-bills are used primarily to balance fluctuations in the borrowing requirement. This helps maintain stability in government bond borrowing.

## Borrowing in inflation-linked bonds also decreases

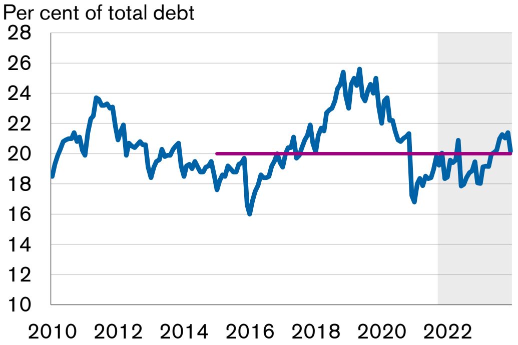
The issuance volume of inflation-linked bonds is being lowered from SEK 1.25 billion to SEK 750 million per auction starting January 2022. This corresponds to an annual volume of close to SEK 13 billion. The Debt Office still plans to introduce a new ten-year inflation-linked bond during the second half of 2022.

The Debt Office is adapting the issuance volume of inflation-linked bonds in order to steer the share of inflation-linked debt towards the long-term target of 20 per cent of the central government debt. The share of inflation-linked debt is affected by several factors: issuance volumes, planned switches, maturing inflation-linked bonds and the size of the central government debt. The continual market-maintaining switches also affect the share.

The reduction of the issuance volume for 2022 compared with the previous plan is due to the inflation-linked debt being somewhat larger than forecast because of the activity in the market-maintaining switch facility and the result of the switch auctions in September. Another contributing factor is that the Debt Office now expects less net repurchases in upcoming switch auctions. The level of inflation-linked debt at the end of 2022 is essentially the same as it was in the May forecast. However, due to the decrease in the size of the central government debt, the share of inflation-linked debt will be somewhat higher and reach its target level sooner than in the previous forecast.

Since December 2020, the share of inflation-linked debt has been below the long-term target, which is partly due to the stock of inflation-linked bonds decreasing after a redemption but also to the central government debt growing in connection with the pandemic. During the coming two years, the inflation-linked share rises to stay at around the target level, aside from a temporary decrease following the next redemption in June 2022 (see Figure 4).

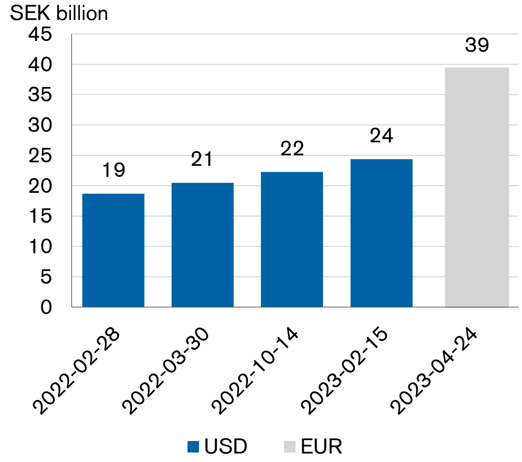
**Figure 4. Share of inflation-linked debt**




Note: The forecast shows figures for the end of each month while the outcome shows the monthly average. The purple line shows the long-term objective for the share of inflation-linked debt. The share is calculated at the nominal amount using the current exchange rate including accrued inflation compensation.

Source: The Debt Office.

**Figure 5. Maturing on-lending to the Riksbank**




Note: Nominal amount, original exchange rate.
Sources: The Debt Office.

## No government bonds in foreign currency this year

The Debt Office had planned to raise a loan in foreign currency this year corresponding to SEK 17 billion. The loan has now been removed from the plan as a result of the decreasing borrowing requirement. Next year, the Debt Office intends to issue a foreign currency bond as planned.

In recent years, the Debt Office has issued bonds in foreign currency solely to finance the Riksbank's foreign exchange reserves. In January 2021, the Riksbank decided to start financing the foreign exchange reserves on its own and thus repay the loans to the Debt Office as they mature (see Figure 5). In order to maintain a presence in the international capital market when the loans for the Riksbank cease, the Debt Office intends to issue a certain volume of bonds in foreign currency on its own behalf over time. The Debt Office is also issuing commercial paper in foreign currency within the liquidity management operations.

The changes made to the borrowing in foreign currency do not affect the currency exposure of the central government debt, because the Debt Office manages the currency exposure with derivatives.

## Slightly lower stock of treasury bills than in previous plan

The Debt Office expects the stock of treasury bills to decrease from SEK 173 billion at the end of last year, to SEK 120 billion at the end of 2021. This means that there is a temporary downward adjustment compared with the previous plan in which the stock this year was SEK 138 billion. A large part of the reduction has already been made in the auctions held since the May forecast. Next year, the stock is expected to be at SEK 183 billion, which is unchanged from the previous forecast, to then decrease to SEK 130 billion at the end of 2023 (see the Figure 6).

The issues of treasury bills are planned on the basis of the maturity policy described in the box on the next page. The volume of the auctions in 2021 and 2022 varies within the SEK 7.5–20 billion range, to thereafter be adjusted down to SEK 5–12.5 billion in 2023. The Debt Office plans the volumes in individual auctions according to seasonal patterns in the central government's payments as well as redemptions and can then make further adjustments as necessary ahead of every auction, depending on how the outcome of the payments develops.

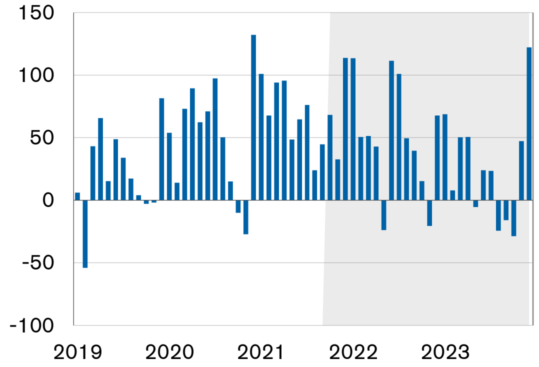
**Figure 6. Stock of T-bills**

SEK billion


Sources: The Debt Office.

**Figure 7. Liquidity management**

SEK billion




Note: Nominal amount including assets under management. Positive amounts indicate borrowing requirement, negative amounts indicate surplus.

Sources: The Debt Office.

The borrowing requirement that remains after the regular issues of T-bills and bonds is handled within the liquidity management operations. In these activities, the Debt Office issues among other things T-bills continually (tap issues) or commercial paper in foreign currency. The volume of liquidity management instruments contained in the plan is continually adjusted to meet developments in the budget balance and the regular borrowing. Figure 7 shows the outcome and forecast for the liquidity management.

It is the Debt Office's assessment that the aggregate volume of T-bills and liquidity management instruments currently contained in the plan provide good flexibility for managing unexpected fluctuations in the net borrowing requirement, bond redemptions, and rapidly changing conditions.

## Current maturity policy for treasury bills

The Debt Office, starting June 2020, increased the number of outstanding maturities in treasury bills to meet the growing borrowing requirement. The change entails an increase in the number of outstanding treasury bills from four to six, of which the longest maturity is twelve months.

The policy involves the Debt Office issuing a new 12-month bill maturing on an IMM date every three months (the third Wednesday in March, June, September and December). In the other months, a new three-month bill is introduced.

The Debt Office also issues treasury bills on a discretionary basis (tap issues) within the liquidity management operations. This applies to T-bills with the two shortest maturities and with tailored maturities (liquidity bills).

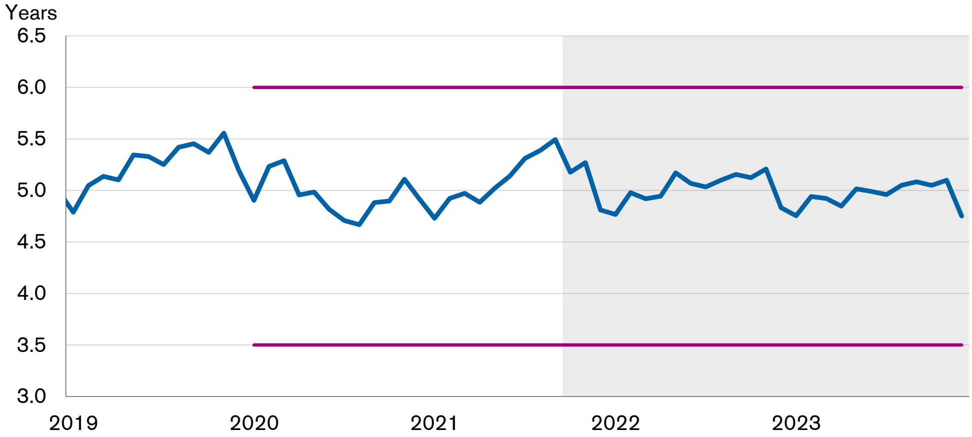
## Unchanged volume of interest rate swaps

The Debt Office uses interest rate swaps to adjust the fixed interest period (duration) of the central government debt. For many years, interest rate swaps were used in order to shorten the duration with the aim of reducing the expected cost. However, after the Government decided to progressively extend the duration of the nominal krona debt, the need for swaps decreased. The Debt Office has still kept a small volume of interest rate swaps in order to retain its market presence as well as to maintain its competence and functioning systems.

The volume of interest rate swaps in kronor is estimated to remain at SEK 5 billion per year until further notice, in which the Debt Office receives fixed, and pays floating, interest. The maturity of the swaps is planned for the two–four year interval.

The duration of the central government debt decreases during the forecast period but remains within the Government’s steering interval, which can be seen in Figure 8.

**Figure 8. Central government debt duration**



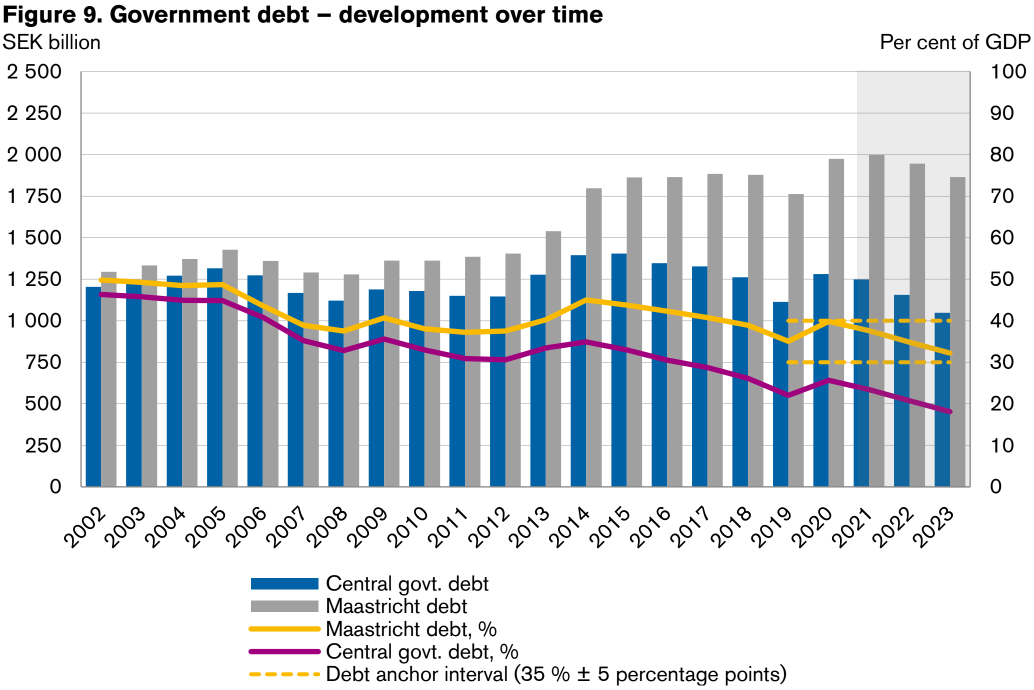

Note: The measure used is Macaulay duration. The forecast shows ultimo figures while the outcome shows the monthly average. The plum coloured lines indicate the steering interval in the Government's guidelines for debt management.

Sources: The Debt Office.

## Government debt decreases – in kronor and as share of GDP

The central government debt decreases this year and in the coming two years after having increased last year because of the pandemic. At the end of 2020, the debt amounted to SEK 1,280 billion, corresponding to 26 per cent of GDP. It is now expected to decrease to SEK 1,248 billion at the end of this year, SEK 1,155 billion in 2022 and SEK 1,048 billion in 2023. It thereby ends up at 18 per cent of GDP at the end of the forecast period (see Figure 9 and Table 4).

**Figure 9. Government debt – development over time**




Sources: The Debt Office and Statistics Sweden.

The Maastricht debt is expected to decrease from 40 per cent of GDP at the end of 2020 to 38 per cent in 2021, 35 per cent in 2022 and 32 per cent in 2023. The Maastricht measure includes the consolidated debt for the entire public sector and is used in international comparisons (see box below). It is also this measure on which the debt anchor of 35 per cent of GDP (±5 percentage units) in the fiscal policy framework is based.

**Table 4. From net borrowing requirement to central government debt**

| SEK billion | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Net borrowing requirement | -112 | 221 | -22 | -94 | -107 |
| Business day adjustment etc.[1] | -15 | -25 | 9 | 0 | 0 |
| **Net borrowing per business day** | **-127** | **196** | **-14** | **-94** | **-107** |
| **A. Net amount including money market assets** | **1 033** | **1 229** | **1 216** | **1 121** | **1 014** |
| Inflation compensation | 26 | 18 | 25 | 24 | 29 |
| Exchange rate effects | 26 | -4 | 3 | 4 | 0 |
| **B. Net amount to current exchange rate incl. inflation compensation** | **1 085** | **1 243** | **1 243** | **1 150** | **1 043** |
| Assets under management | 28 | 38 | 5 | 5 | 5 |
| **C. Central government debt** | **1 113** | **1 280** | **1 248** | **1 155** | **1 048** |
| Assets under management | -28 | -38 | -5 | -5 | -5 |
| On-lending | -193 | -174 | -124 | -67 | 0 |
| **D. Central gov. debt incl. on-lending and assets under management** | **893** | **1 069** | **1 119** | **1 083** | **1 043** |
| Nominal GDP | 5 025 | 4 983 | 5 320 | 5 578 | 5 788 |
| **C. Central government debt, % of GDP** | **22** | **26** | **23** | **21** | **18** |
| **D. Central gov. debt incl. on-lending and assets under management, % of GDP** | **18** | **21** | **21** | **19** | **18** |

[1]A difference occurs because borrowing is reported by trade date and the net borrowing requirement by settlement date.

## Different measures of government debt in statistics

There are different ways of measuring government debt. The Debt Office reports the *central government unconsolidated debt*. This measure shows the central government gross debt and includes all loans raised by the Debt Office on behalf of the central government, irrespective of who owns the claims on the state. The debt is reported at its nominal terminal value according to the principles applied in the EU.

Some government agencies own government bonds and treasury bills. This kind of intragovernmental ownership is deducted in the *central government consolidated debt*. That measure provides an overall picture of the financial position of the central government and is used in the Budget Bill and the annual report for the central government. The central government consolidated debt is calculated by the Swedish National Financial Management Authority (ESV).

One debt measure often used in international comparisons is *general government consolidated gross debt*, also called the *Maastricht debt*. This debt is larger than the central government debt as it covers the whole of the public sector, including local and regional governments and the pension system. Its calculation is based on conditions in the Maastricht Treaty. According to the EU's debt criterion, the Maastricht debt must not exceed 60 per cent of GDP.

The Maastricht debt is also the measure used in Sweden's budgetary framework and which forms the basis of the debt anchor of 35 per cent that the Riksdag (Parliament) decided will be in force as of 2019. General government consolidated gross debt is published by Statistics Sweden.

# Appendix

## Key figure tables

### Table A1. Central government net lending

| SEK billion | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Budget balance** | **112** | **-221** | **22** | **94** | **107** |
| **Delimitations** | **-51** | **46** | **-77** | **-79** | **-74** |
| Sale of limited companies | 0 | 0 | 0 | 0 | 0 |
| Extraordinary dividends | 0 | 0 | 0 | 0 | 0 |
| Parts of Debt Office's net lending | -67 | 31 | -58 | -56 | -49 |
| Other | 16 | 15 | -18 | -24 | -25 |
| **Accruals** | **7** | **32** | **-39** | **-17** | **6** |
| Taxes | 0 | 23 | -29 | -21 | 9 |
| Interest payments etc. | 7 | 9 | -10 | 4 | -2 |
| **Central government net lending** | **68** | **-143** | **-93** | **-3** | **39** |
| **Per cent of GDP** | **1.3** | **-2.9** | **-1.8** | **-0.0** | **0.7** |

### Table A2. Budget balance forecast per month

| SEK billion | Primary balance | Net lending | Interest on government debt | Budget balance |
|---|---|---|---|---|
| **Oct-21** | -31.9 | 16.5 | 1.3 | -14.1 |
| **Nov-21** | 12.3 | 3.4 | -1.0 | 14.6 |
| **Dec-21** | -48.6 | -43.2 | 0.3 | -91.5 |
| **Jan-22** | -3.2 | 2.0 | 0.8 | -0.5 |
| **Feb-22** | 50.3 | 21.5 | 1.1 | 72.9 |
| **Mar-22** | -12.0 | 33.8 | -0.5 | 21.2 |
| **Apr-22** | -13.0 | 2.6 | 0.5 | -10.0 |
| **May-22** | 52.4 | -2.7 | -1.9 | 47.9 |
| **Jun-22** | -25.6 | 5.4 | -7.6 | -27.9 |
| **Jul-22** | 0.0 | 4.9 | 0.3 | 5.3 |
| **Aug-22** | 26.2 | 4.0 | -0.1 | 30.1 |
| **Sep-22** | 1.5 | 1.8 | -0.0 | 3.3 |
| **Oct-22** | -11.4 | 24.7 | 0.8 | 14.1 |
| **Nov-22** | 20.6 | 3.6 | -2.5 | 21.6 |
| **Dec-22** | -38.6 | -44.2 | -1.1 | -83.9 |

### Table A3. Budget balance changes between years, effect on budget balance

| SEK billion | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Budget balance, level** | **112** | **-221** | **22** | **94** | **107** |
| Change from previous year | 32 | -333 | 243 | 72 | 13 |
| **Primary balance** | **-33** | **-238** | **133** | **87** | **13** |
| Income from taxes | -8 | -86 | 180 | 66 | 10 |
| Grants to local governments | -9 | -37 | 4 | 1 | 7 |
| Labour market | 6 | -8 | -6 | -1 | 4 |
| Social insurance | -4 | -7 | -1 | 4 | -3 |
| Migration and international aid | 11 | 9 | 4 | -7 | -1 |
| Sales of state-owned assets | -2 | 0 | 0 | 0 | 0 |
| State share dividends | 0 | 4 | -1 | 4 | 1 |
| EU contribution | 0 | -11 | -3 | 3 | 5 |
| Other | -28 | -103 | -44 | 18 | -10 |
| **Debt Office's net lending excl. on-lending** | **-5** | **-23** | **24** | **-7** | **-9** |
| **On-lending** | **78** | **-73** | **63** | **5** | **2** |
| **Interest on government debt** | **-8** | **2** | **22** | **-13** | **6** |

### Table A4. Budget balance forecast comparison, SEK billion

| SEK billion | Budget balance | Sale of state assets | Adjusted budget balance |
|---|---|---|---|
| **Debt Office (October 27)** | | | |
| 2021 | 22 | 0 | 22 |
| 2022 | 94 | 0 | 94 |
| 2023 | 107 | 0 | 107 |
| **Government (September 20)** | | | |
| 2021 | -6 | 5 | -11 |
| 2022 | 53 | 5 | 48 |
| 2023 | 116 | 5 | 111 |
| **NIER (September 29)** | | | |
| 2021 | 30 | 0 | 30 |
| 2022 | 115 | 0 | 115 |
| 2023 | - | - | - |
| **ESV (September 10)** | | | |
| 2021 | 5 | 0 | 5 |
| 2022 | 147 | 0 | 147 |
| 2023 | 179 | 0 | 179 |

### Table A5. State share dividends

| SEK billion | 2021 | 2022 | 2023 |
|---|---|---|---|
| Akademiska hus AB | 2.1 | 2.2 | 2.3 |
| LKAB | 5.9 | 7.8 | 7.0 |
| Telia Company AB | 3.2 | 3.3 | 3.4 |
| Vattenfall AB | 4.0 | 5.0 | 6.0 |
| Sveaskog AB | 0.9 | 1.0 | 1.0 |
| Other companies | 1.3 | 1.6 | 1.8 |
| **Total** | **17.4** | **20.9** | **21.5** |

### Table A6. Gross borrowing requirement

| SEK billion | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Net borrowing requirement** | **-112** | **221** | **-22** | **-94** | **-107** |
| **Business day adjustment etc.[1]** | **-15** | **-25** | **9** | **0** | **0** |
| **Retail borrowing & collateral, net[2]** | **4** | **-2** | **5** | **-2** | **0** |
| **Money market redemptions[3]** | **70** | **101** | **305** | **234** | **250** |
| T-bills | 20 | 20 | 173 | 120 | 183 |
| Liquidity management | 50 | 81 | 132 | 114 | 68 |
| **Bond redemptions, net switches and buy-backs** | **211** | **185** | **41** | **193** | **172** |
| Nominal government bonds | 99 | 96 | 0 | 109 | 106 |
| Inflation-linked bonds | 25 | 19 | 0 | 23 | 3 |
| Foreign currency bonds[4] | 87 | 70 | 41 | 61 | 64 |
| **Total gross borrowing requirement** | **158** | **481** | **337** | **330** | **315** |

[1] A difference occurs as borrowing is reported by business date while net borrowing requirement is reported by settlement date.
[2] Net change in retail borrowing and collateral.
[3] Initial stock maturing within 12 months. Liquidity management is net, including assets under management. Commercial paper is included in Liquidity management.
[4] Calculated with the original issuance exchange rate.

### Table A7. Net borrowing

| SEK billion | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Net borrowing requirement | -112 | 221 | -22 | -94 | -107 |
| Business day adjustment[1] | -15 | -25 | 9 | 0 | 0 |
| **Net borrowing** | **-127** | **196** | **-14** | **-94** | **-107** |
| | | | | | |
| **Retail funding & collateral, net** | **-4** | **2** | **-5** | **2** | **0** |
| **Net money market funding** | **31** | **203** | **-71** | **16** | **2** |
| T-bills | 0 | 153 | -53 | 63 | -53 |
| Commercial paper | 0 | 31 | -31 | 0 | 0 |
| Liquidity management | 31 | 19 | 13 | -46 | 55 |
| **Net bond market funding** | **-154** | **-9** | **62** | **-112** | **-110** |
| Nominal government bonds | -69 | 4 | 83 | -59 | -56 |
| Inflation-linked bonds | -17 | -6 | 21 | -10 | 10 |
| Green bonds | 0 | 20 | 0 | 0 | 0 |
| Foreign currency bonds | -68 | -27 | -41 | -44 | -64 |
| **Total net borrowing** | **-127** | **196** | **-14** | **-94** | **-107** |

[1] A difference occurs as borrowing is reported by business date while net borrowing requirement is reported by settlement date.

# Market information

### Nominal government bonds, auction dates

| Announcement date | Auction date | Settlement date |
|---|---|---|
| 10-Nov-21 | 17-Nov-21 | 19-Nov-21 |
| 24-Nov-21 | 01-Dec-21 | 03-Dec-21 |
| 19-Jan-22 | 26-Jan-22 | 28-Jan-22 |
| 02-Feb-22 | 09-Feb-22 | 11-Feb-22 |
| 16-Feb-22 | 23-Feb-22 | 25-Feb-22 |
| 02-Mar-22 | 09-Mar-22 | 11-Mar-22 |
| 16-Mar-22 | 23-Mar-22 | 25-Mar-22 |
| 30-Mar-22 | 06-Apr-22 | 08-Apr-22 |
| 13-Apr-22 | 20-Apr-22 | 22-Apr-22 |
| 27-Apr-22 | 04-May-22 | 06-May-22 |
| 12-Apr-22 | 05-May-22* | 09-May-22 |
| 11-May-22 | 18-May-22 | 20-May-22 |
| 25-May-22 | 01-Jun-22 | 03-Jun-22 |

*Exchange auction

### Nominal gov. bonds, outstanding volume

| Maturity date | Coupon % | Bond no. | SEK million |
|---|---|---|---|
| 01-Jun-22 | 3.50 | 1054 | 108 131 |
| 13-Nov-23 | 1.50 | 1057 | 100 885 |
| 12-May-25 | 2.50 | 1058 | 77 626 |
| 12-Nov-26 | 1.00 | 1059 | 77 664 |
| 12-May-28 | 0.75 | 1060 | 59 513 |
| 12-Nov-29 | 0.75 | 1061 | 64 339 |
| 12-May-31 | 0.125 | 1062 | 52 140 |
| 01-Jun-32 | 2.25 | 1056 | 34 500 |
| 30-Mar-39 | 3.50 | 1053 | 43 213 |
| 24-Nov-45 | 0.50 | 1063 | 15 972 |
| 23-Jun-71 | 1.375 | 1064 | 10 000 |
| **Total nominal government bonds** | | | **643 983** |

Note: Outstanding volume on 30 September 2021

### Inflation-linked bonds, auction dates

| Announcement date | Auction date | Settlement date |
|---|---|---|
| 04-Nov-21 | 11-Nov-21 | 15-Nov-21 |
| 18-Nov-21 | 25-Nov-21 | 29-Nov-21 |
| 13-Jan-22 | 20-Jan-22 | 24-Jan-22 |
| 27-Jan-22 | 03-Feb-22 | 07-Feb-22 |
| 10-Feb-22 | 17-Feb-22 | 21-Feb-22 |
| 10-Mar-22 | 17-Mar-22 | 21-Mar-22 |
| 24-Mar-22 | 31-Mar-22 | 04-Apr-22 |
| 21-Apr-22 | 28-Apr-22 | 02-May-22 |
| 05-May-22 | 12-May-22 | 16-May-22 |
| 02-Jun-22 | 09-Jun-22 | 13-Jun-22 |

### Inflation-linked bonds, outstanding volume

| Maturity date | Coupon % | Bond no. | SEK million |
|---|---|---|---|
| 01-Jun-22 | 0.25 | 3108 | 22 495 |
| 01-Jun-25 | 1.00 | 3109 | 35 428 |
| 01-Jun-26 | 0.125 | 3112 | 30 935 |
| 01-Dec-27 | 0.125 | 3113 | 22 390 |
| 01-Dec-28 | 3.50 | 3103 | 1 |
| 01-Dec-28 | 3.50 | 3104 | 27 184 |
| 01-Jun-30 | 0.125 | 3114 | 14 518 |
| 01-Jun-32 | 0.125 | 3111 | 20 453 |
| 01-Jun-39 | 0.125 | 3115 | 3 308 |
| **Total inflation-linked bonds** | | | **176 712** |

Note: Outstanding volume on 30 September 2021

### Treasury bills, auction dates

| Announcement date | Auction date | Settlement date |
|---|---|---|
| 03-Nov-21 | 10-Nov-21 | 12-Nov-21 |
| 17-Nov-21 | 24-Nov-21 | 26-Nov-21 |
| 01-Dec-21 | 08-Dec-21 | 10-Dec-21 |
| 15-Dec-21 | 22-Dec-21 | 27-Dec-21 |
| 12-Jan-22 | 19-Jan-22 | 21-Jan-22 |
| 26-Jan-22 | 02-Feb-22 | 04-Feb-22 |
| 09-Feb-22 | 16-Feb-22 | 18-Feb-22 |
| 23-Feb-22 | 02-Mar-22 | 04-Mar-22 |
| 09-Mar-22 | 16-Mar-22 | 18-Mar-22 |
| 23-Mar-22 | 30-Mar-22 | 01-Apr-22 |
| 06-Apr-22 | 13-Apr-22 | 19-Apr-22 |
| 20-Apr-22 | 27-Apr-22 | 29-Apr-22 |
| 04-May-22 | 11-May-22 | 13-May-22 |
| 17-May-22 | 24-May-22 | 27-May-22 |
| 01-Jun-22 | 08-Jun-22 | 10-Jun-22 |
| 15-Jun-22 | 22-Jun-22 | 27-Jun-22 |
| 29-Jun-22 | 06-Jul-22 | 08-Jul-22 |

### Treasury bills, outstanding volume

| Maturity date | SEK million |
|---|---|
| 20-Oct-21 | 22 500 |
| 17-Nov-21 | 10 000 |
| 15-Dec-21 | 22 500 |
| 19-Jan-22 | 5 000 |
| 16-Mar-22 | 25 000 |
| 15-Jun-22 | 10 000 |
| 21-Sep-22 | 5 000 |
| **Total T-bills** | **100 000** |

Note: Outstanding volume on 30 September 2021

### Rating

| Rating company | Krona debt | Foreign currency debt |
|---|---|---|
| Moody's | Aaa | Aaa |
| Standard & Poor's | AAA | AAA |
| Fitch | AAA | AAA |

### Primary dealers

| Primary dealer | Government bonds | Inflation-linked bonds | T-bills | Telephone no. |
|---|---|---|---|---|
| Barclays | • | | | +44 203 555 1907 |
| Danske Markets | • | • | • | +46 8 568 808 44 |
| Handelsbanken Markets | • | • | • | +46 8 463 46 50 |
| NatWest Markets | • | | | +44 207 805 0363 |
| Nordea Markets | • | • | • | +45 3333 1609 |
| | | | | +46 8 614 91 07 |
| SEB | • | • | • | +46 8 506 231 51 |
| Swedbank | • | • | • | +46 8 700 99 00 |

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### Next rapport

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

**The Swedish National Debt Office works to ensure that central government finances are managed effectively and the financial system is stable. The Debt Office thus plays an important role in the Swedish economy as well as in the financial market.**

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