

## **Proposed debt management guidelines: Foreign currency exposure should be phased out**

**The Swedish National Debt Office is proposing that the foreign currency exposure of the central government debt be gradually phased out over the next four years. The proposal is based on updated analyses showing that the currency exposure involves a higher risk without lowering the cost of the debt over time.**

The Debt Office presents the analysis of the strategic currency exposure in the proposed guidelines for 2023–2026, submitted to the Government today. In accordance with the Budget Act, the Government is to decide on guidelines by 15 November every year. In advance of this decision, the Riksbank is given the opportunity to present its opinion on the Debt Office's proposal.

The Debt Office began lowering the currency exposure in 2015 and reduced it by half until 2020. Thereafter, the phasing out was put on hold until a review of the exposure was completed. As part of the work with this year's proposed guidelines, the Debt Office has conducted analyses in connection with both establishing a long-term target level for the foreign currency exposure and an appropriate course of action for attaining the target level. The Debt Office proposes a gradual phasing out over four years of the foreign currency exposure, which is at just above the equivalent of SEK 100 billion. This entails a reduction of approximately SEK 25 billion per year on average.

"The conclusion of the analyses is that the Swedish central government debt should not be exposed to foreign currency over time, as such exposure does not provide systematic cost advantages motivating the risk coming from volatile exchange rates. We are therefore proposing that the exposure be phased out and we consider four years as an appropriate amount of time for the phase-out," says Karolina Ekholm, Director General of the Debt Office.

### **No effect on the Debt Office's ability to borrow in foreign currency**

Although the target value for the strategic currency exposure in the proposal is zero as of 2027, the actual exposure will continue to vary at around the target level as a result of the Debt Office managing government currency flows and currency risks. The fact that the foreign currency exposure is zero does not affect the central government's ability to raise loans in foreign currency, because the Debt Office hedges such borrowing against kronor.

In practice, phasing out the currency exposure means that the Debt Office will purchase foreign currency and sell Swedish kronor. The proposal for the phasing out is, as stated above, based on an analysis of systematic cost advantages and not on a perception of the krona rate's development. The Debt Office's assessment is that the krona rate will not be affected by the phasing out either, given that the amount per month is small in relation to the turnover in the krona market.

## **Unchanged maturity and inflation-linked share of central government debt**

The Debt Office is not proposing any additional changes to the guidelines for the composition of the central government debt or its term to maturity. This entails that the share of the inflation-linked debt will remain at 20 per cent and the maturity will be between 3.5 and 6 years (measured as duration).

## **Proposals for removing point on retail market borrowing and for adjusted process**

A minor proposed alteration to the guidelines is to remove the point on evaluating the retail market borrowing, since the final lottery bond expired in 2021.

The Debt Office also proposes that the Government should consider allowing the Debt Office to submit proposed guidelines based on comprehensive analyses every two years, instead of every year, and to only propose limited updates to the guidelines in the time in between. This would free up resources to enable more in-depth analysis.

The report *Central Government Debt Management – Proposed Guidelines 2023-2026* is attached below.

## **Contacts**

---

Press contact +46 8 613 47 01, [press@riksgalden.se](mailto:press@riksgalden.se)

## **About the Swedish National Debt Office**

---

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

[www.riksgalden.se](http://www.riksgalden.se)

## **Attachments**

---

Proposed debt management guidelines: Foreign currency exposure should be phased out  
Report: Central Government Debt Management – Proposed Guidelines 2023-2026