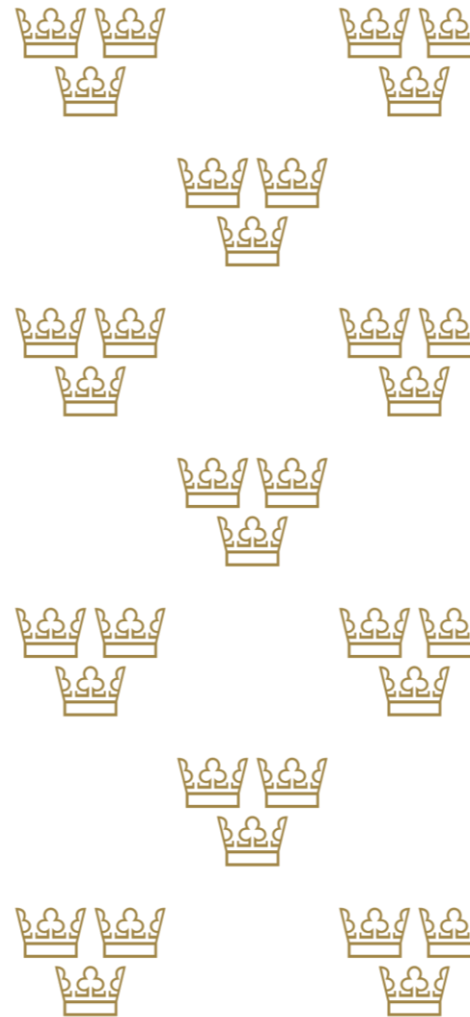


# Smaller surplus in central government budget

*Central Government Borrowing – Forecast and Analysis 2022:2*

*Press conference 24 May 2022*





# The Debt Office's forecast in brief

## Macro picture

- Higher inflation and lower economic growth

## Budget balance

- Smaller budget surplus than in previous forecast

## Borrowing

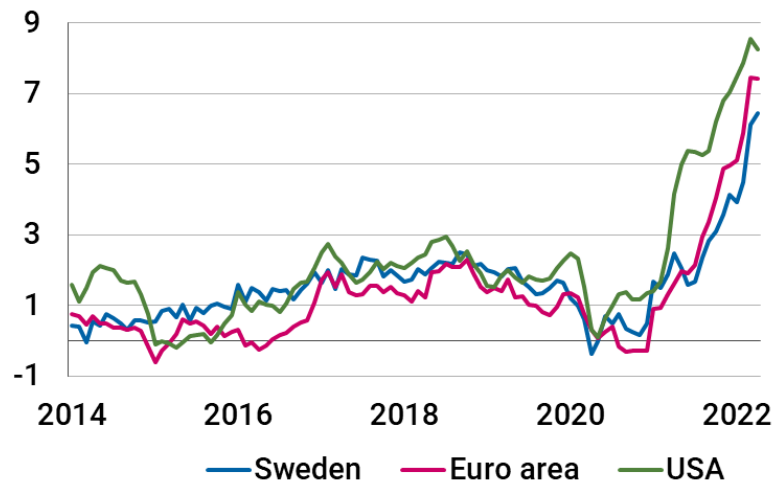
- Increased short-term borrowing and a foreign-currency bond



# Rapid increases in inflation and interest rates form the foundation

**Inflation in different countries and regions**

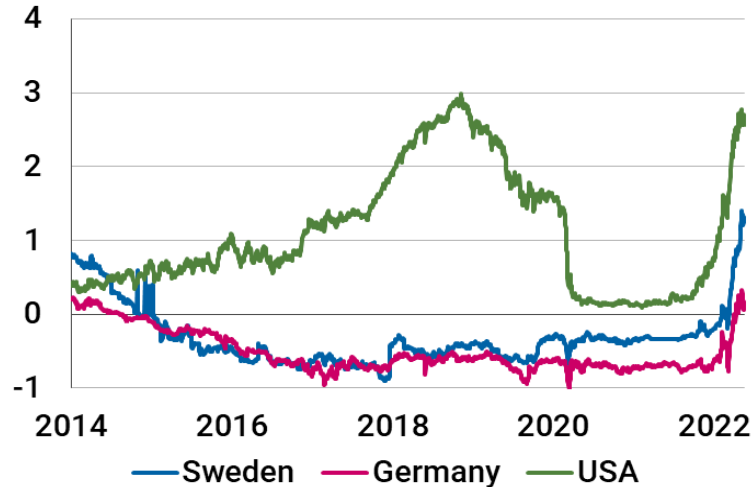
Annual percentage change



Note: CPIF for Sweden, CPI for USA, and HICP for euro area.  
Source: Macrobond.

**Yields on 2-year government bonds**

Per cent



Source: Macrobond.

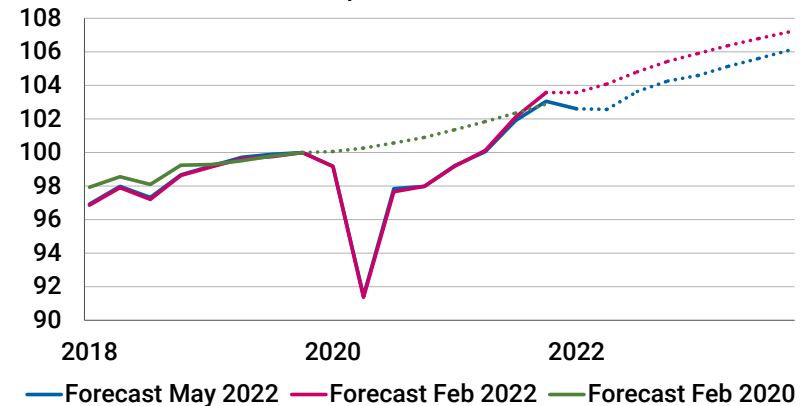


# Growth outlook in Sweden has deteriorated

- War and high inflation slow global growth
- Growth of Swedish economy slows as well
- Unemployment falls somewhat more slowly in periods ahead

GDP for Sweden by level

Index 2019:4 = 100, constant prices



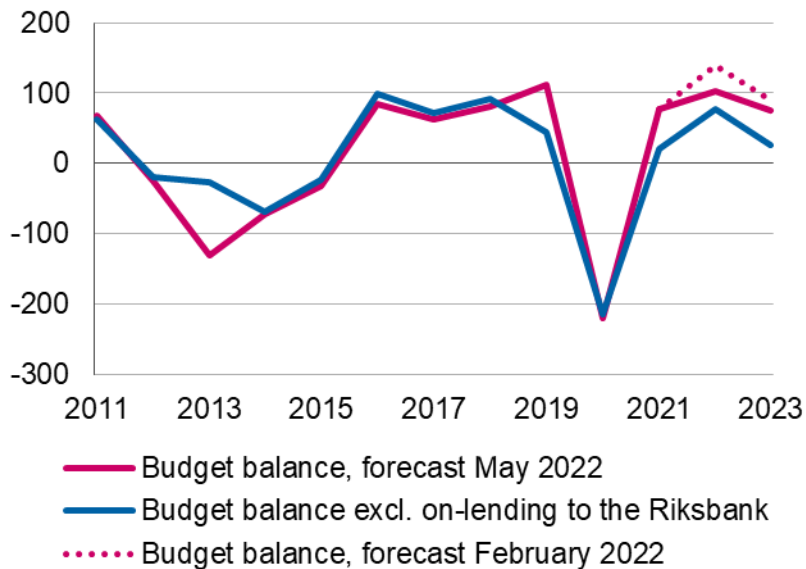
Sources: Statistics Sweden and the Debt Office.



# Downward-revised budget surplus

- Larger outflow of capital placements in tax accounts
- Higher central government expenditure
- Rapid price increases have counteracting effect
  - Tax bases grow faster in general
  - High electricity prices have varied effects

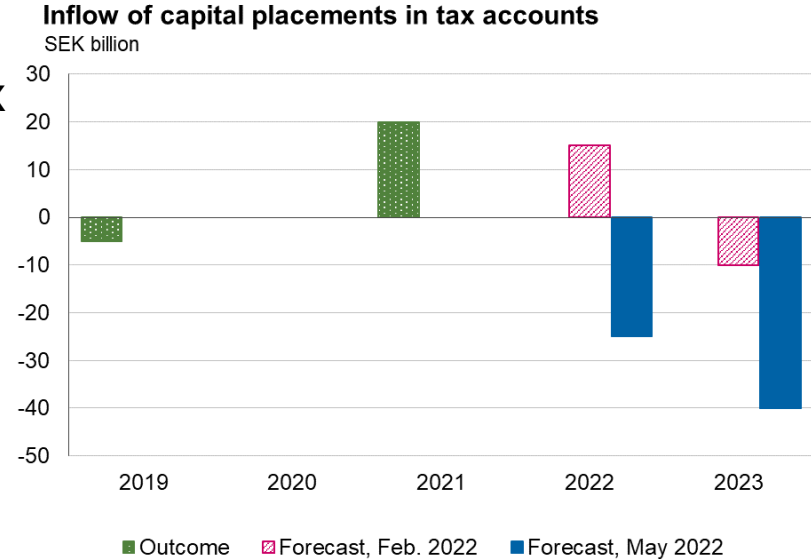
**Budget balance**  
SEK billion





# Uncertainty regarding tax accounts

- Great uncertainty about what constitutes capital placements in tax accounts ...
- ... and as to how fast companies and households will react to rising interest rates
- Significant revisions to the assumptions about capital placements in tax accounts



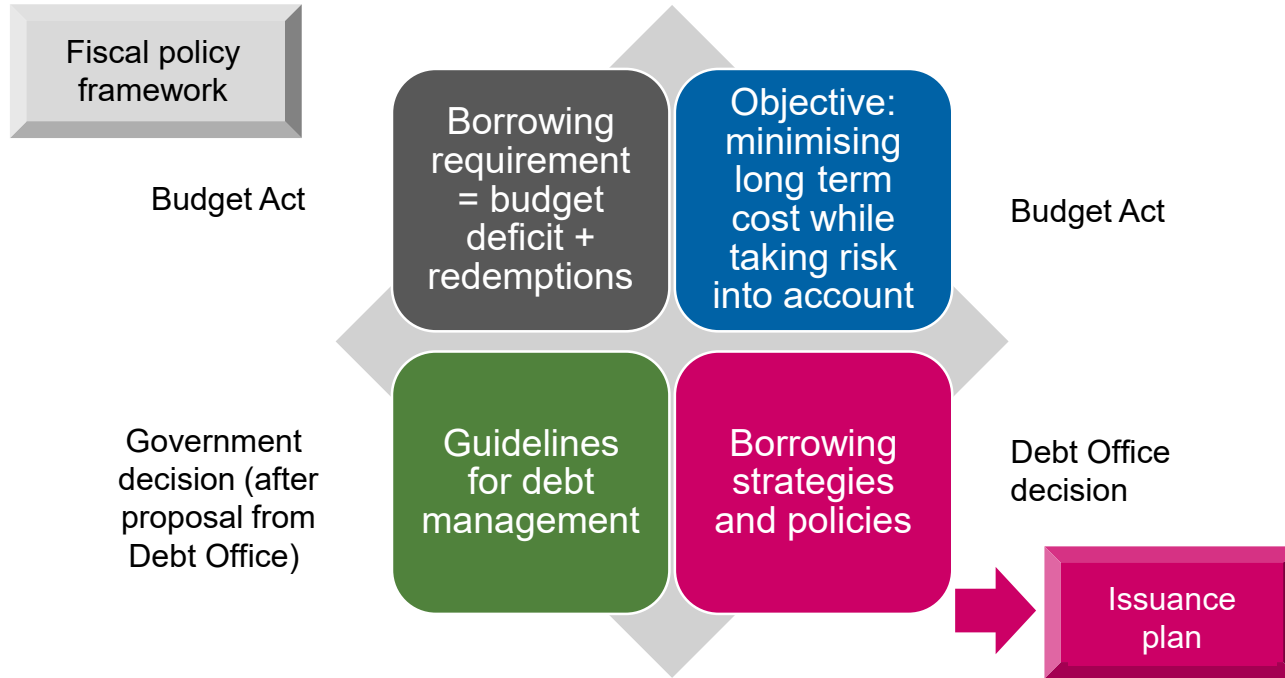


# Various factors of uncertainty

- Inflation and interest rates
- War in Ukraine
- Tax accounts



# Issuance plan – how much and in what way?



Fiscal policy framework

Budget Act

Borrowing requirement  
= budget deficit +  
redemptions

Objective:  
minimising  
long term  
cost while  
taking risk  
into account

Budget Act

Government  
decision (after  
proposal from  
Debt Office)

Guidelines  
for debt  
management

Borrowing  
strategies  
and policies

Debt Office  
decision

Issuance  
plan

- Nominal government bonds
- Inflation-linked bonds
- Green bonds
- Foreign-currency bonds
- Treasury bills
- Liquidity management
- Derivatives



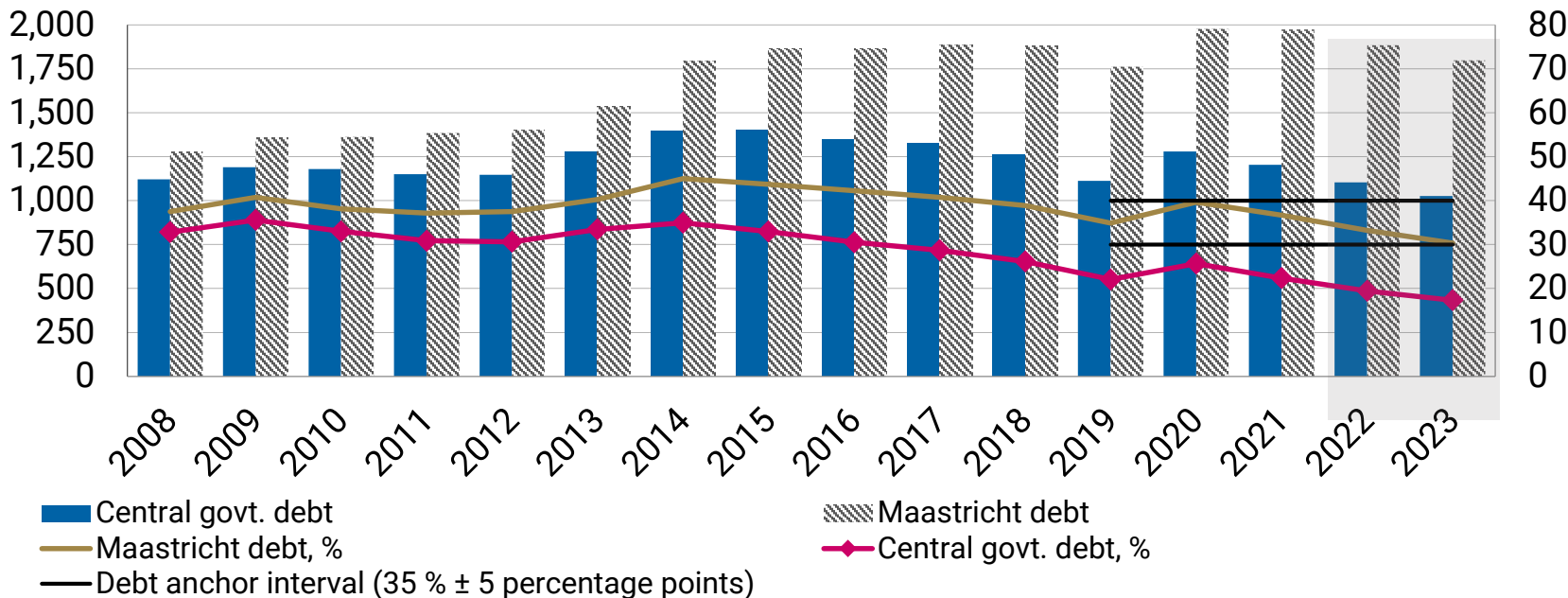


# Budget surplus entails lower govt. debt

## Central government debt and public (Maastricht) debt

SEK billion

Per cent of GDP

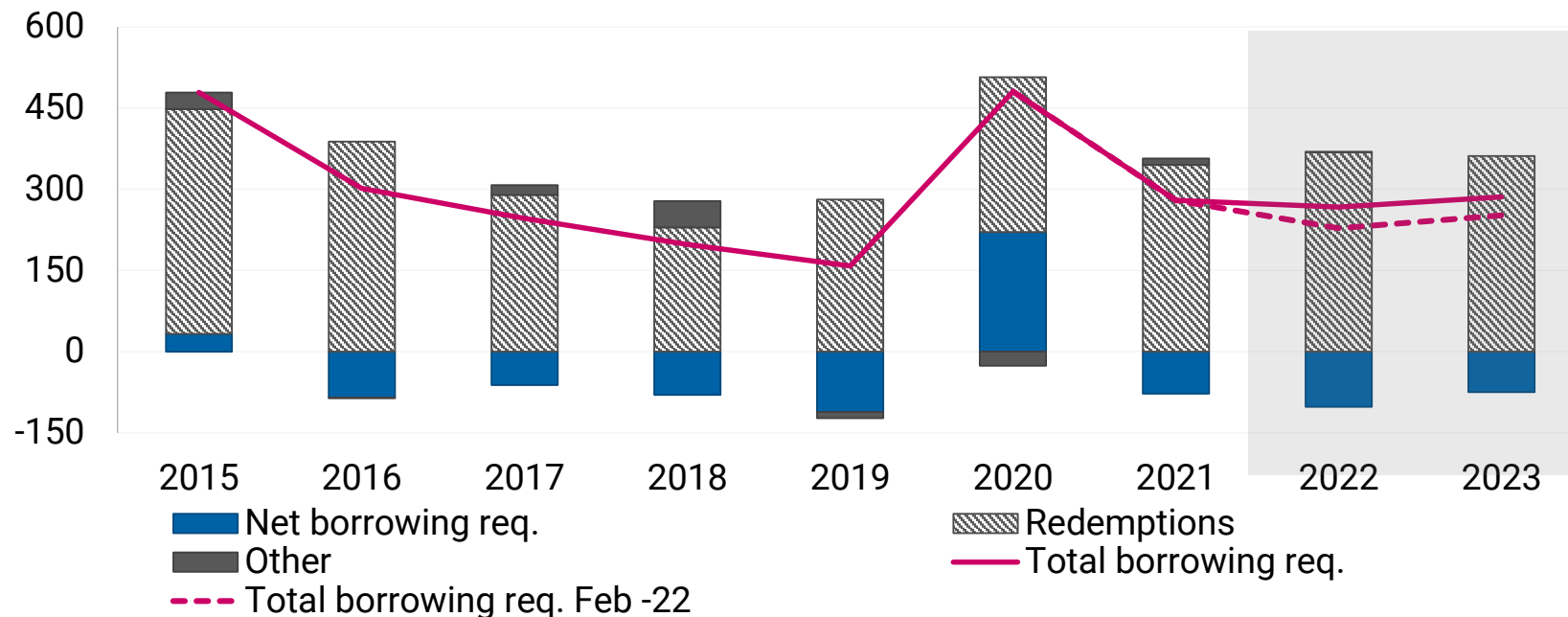




# Larger borrowing requirement than in previous forecast

## Total borrowing requirement

SEK billion



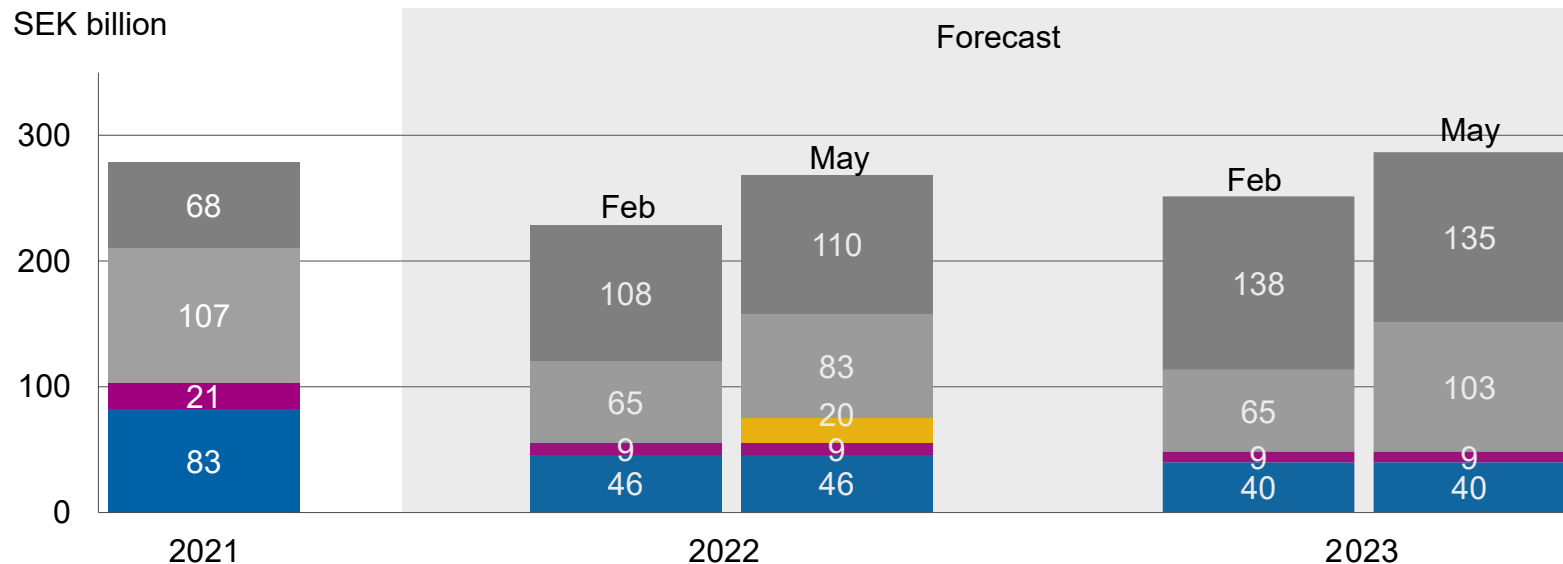
Note: Net borrowing requirement equals budget balance with opposite sign. "Other" includes an adjustment because the net borrowing requirement is reported by settlement date while borrowing is reported by trade date.



# Increased short-term borrowing and a foreign-currency bond

## Annual issuance volumes compared with previous forecast

SEK billion



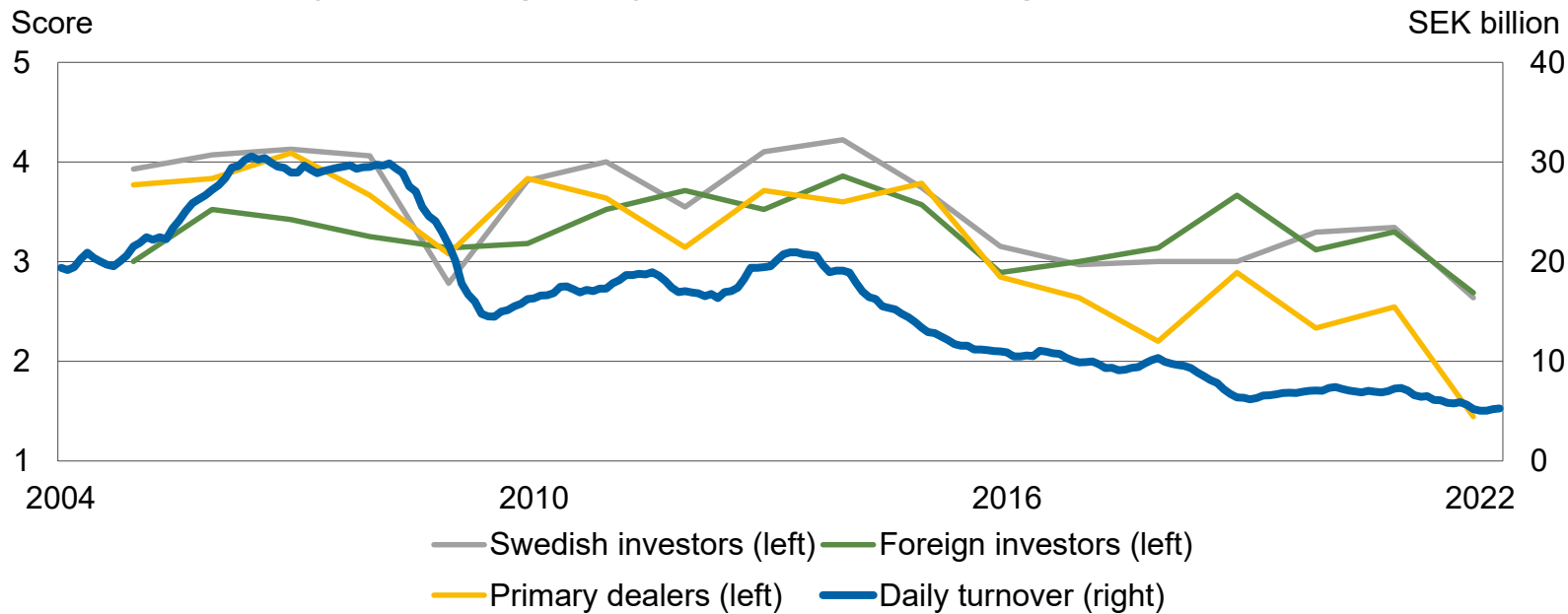
■ Nominal government bonds ■ Inflation-linked bonds ■ Foreign currency bonds ■ T-bills ■ Liquidity management

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



# Deteriorated liquidity leads to lower resilience

## Perceived liquidity and average daily turnover of nominal government bonds

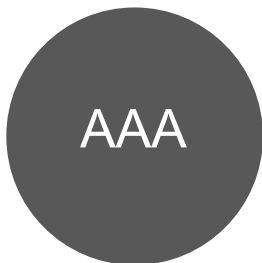


Note: Scores for liquidity in terms of volume in survey by Kantar Prospera. A scale of 1 to 5 in which 4 and over is considered excellent, lower than 3 unsatisfactory. Average daily turnover excl. primary market, monthly for a rolling window of the past twelve months.

Sources: The Debt Office and the Riksbank



# Ready to increase borrowing if necessary



Highest credit rating



Several funding channels



Low government debt



Well-established issuer



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