RIKSGÄLDEN
SWEDISH NATIONAL DEBT OFFICE

2024-11-28

Central government borrowing

Forecast and analysis 2024:3

Reg.no 2024/124

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 taking account of risk.

The Debt Office borrows to cover deficits in the central government budget (the net borrowing requirement) and to repay previously raised loans that are maturing. In *Central Government Borrowing – Forecast and Analysis*, we present forecasts of the central government budget balance and borrowing requirement for the coming two years as well as a borrowing plan. The report will be published three times in 2024 and thereafter twice a year (in May and November).

On the fifth working day of each month, we publish the central government budget balance for the previous month. We compare the outcome with our forecast and explain any deviations. In connection with the monthly outcome, the Debt Office also presents the debt development in the report *Sweden's Central Government Debt*.

Between the forecasts, the Debt Office also communicates terms for forthcoming auctions of government securities and the results of the auctions.

Predictable and clear communication about the borrowing requirement and the supply of government securities is a key part of the Debt Office's borrowing strategy. This helps reduce investor uncertainty, thereby laying the foundation for lower borrowing costs for the central government.

Preface

In *Central Government Borrowing – Forecast and Analysis 2024:3*, the Debt Office presents forecasts for the central government's budget balance (net borrowing requirement) and debt for 2024–2026 as well as the Debt Office's borrowing plan for the period. We also present an assessment of the Swedish economy, which forms the basis of the forecasts and the plan.

The report takes into account developments up to 13 November 2024.

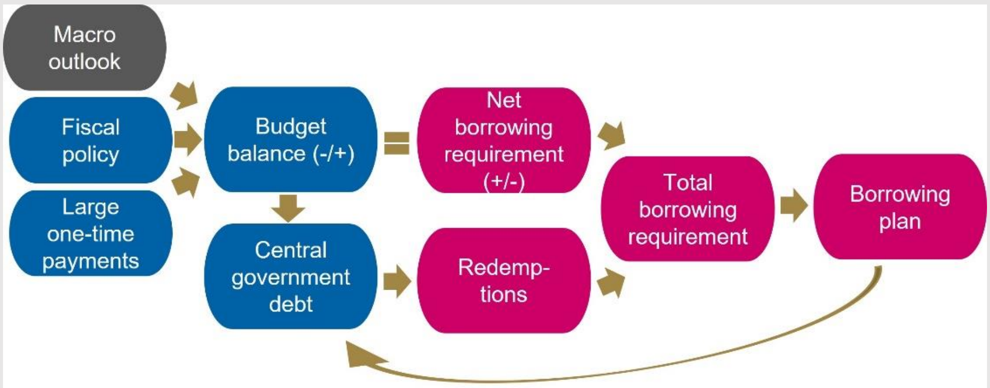
Karolina Ekholm
Debt Office Director General

Facts

Structure of the report

The figure below shows how the report is structured. The macro outlook in chapter 1 forms the basis of the forecast of the budget balance and central government debt in chapter 2. With the opposite sign, the budget balance becomes the net borrowing requirement, which together with the refinancing of maturing loans provides the total borrowing requirement. In chapter 3, we present our updated borrowing plan, which in turn affects the composition and maturity of the debt.

The Debt Office funds the net borrowing requirement and maturing loans



Note: The dark grey part is covered in chapter 1, the blue parts in chapter 2, and the pink parts in chapter 3. The first two chapters describe the expected conditions for borrowing, whereas the last chapter is about how the Debt Office plans to respond to these conditions.

Contents

Articles

Summary

After three years of budget surpluses, there will be a period of deficits, according to the Debt Office's new forecast. The deficits lead to increased borrowing, though the central government debt as a proportion of GDP will remain low. Nominal government bond issuance will be increased, while the supply of inflation-linked bonds will be scaled back.

The Debt Office expects a budget deficit of SEK 78 billion for 2024, SEK 65 billion for 2025, and SEK 35 billion for 2026. This year, the central government's budget is weighed down mainly by broad increases in expenditure and a capital contribution to the Riksbank. From then on, the budget balance gets stronger as expenditure grows more slowly and income from taxes increases. The forecast of the budget balance is revised down slightly for 2024 and 2025.

In the macro picture that forms the basis of the budget-balance forecast, the Debt Office expects the Swedish economy to grow by 0.7 per cent this year and unemployment to rise. Next year and in 2026, GDP growth shifts up and unemployment goes down.

The budget deficits entail an increase in the central government debt measured in kronor. The debt nevertheless remains low from both a historical and international perspective. As a proportion of GDP, it is expected to remain at 17 per cent at the end of 2026, with the general government debt then at 33 per cent.

The central government's total borrowing requirement – which includes funding budget deficits and refinancing maturing loans – increases each year in the forecast period. It is also revised up slightly for this year and the next compared with the previous forecast.

The Debt Office is raising the issuance volume of nominal government bonds from SEK 4 billion to SEK 5 billion per auction as of the turn of the year. This is due in part to the growing borrowing requirement but also to a shift in focus from inflation-linked to nominal government bonds. The reduction of the inflation-linked bond supply is due to new guidelines for debt management. In addition, the Debt Office will be switching from multiple-price auctions to single-price auctions for inflation-linked bonds in order to promote participation.

Table 1 Central government borrowing

SEK billion

Debt instrument	Outcome 2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
Nominal government bonds	45	72	73	100	80	100
Inflation-linked bonds	9	9	9	6	9	6
Foreign currency bonds	0	21	21	21	22	21
T-bills, stock at year-end	123	110	98	158	158	175

Note: 24:2 refers to the previous forecast published in May 2024.

Table 2 Planned issue volume of nominal government bonds over the next six months

SEK billion

Maturity category	Nominal government bond	29 November 2024–22 May 2025
10-year	SGB 1066 2.25% 11 May 35	19.5
5-year	SGB 1061 0.75% 12 Nov 29	11.0
2-year	SGB 1059 1.0% 12 Nov 26	8.75
> 12-year	SGB 1053 3.5% 30 Mar 39	1.0
> 12-year	SGB 1064 1.375% 23 Jun 71	0.25
Other maturities	*See note*	7.5
Total supply	**-**	**48.0**

Note: The category of "Other maturities" includes bonds that were previously 10-year reference bonds and are not yet included in the 5- or 2-year categories. The indicated volumes apply assuming that the auctions are fully allocated. The Debt Office will not compensate if any auction is cut, but will continue to issue according to the plan.

Table 3 Central government finances

SEK billion, unless otherwise stated

Key figure	Outcome 2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
Budget balance (with the opposite sign, the net borrowing requirement)	19	-78	-71	-65	-56	-35
Central govt. debt	1,028	1,126	1,117	1,177	1,165	1,205
Central govt. debt (% of GDP)	17	18	17	18	18	17
General govt. debt (% of GDP	31	33	33	33	33	33

Table 4 Swedish economy

Annual percentage change, unless otherwise stated

Key figure	Outcome 2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
GDP growth	-0.3	0.7	0.5	1.9	2.3	2.5
Unemployment (% of labour force)	7.7	8.4	8.4	8.4	8.3	7.8
CPIF inflation	6.0	1.8	1.8	1.4	1.6	1.7

Economy is on way to recovery

After several years of a weak progression, domestic demand is increasing in step with household consumption. This drives the growth of the Swedish economy in the coming years, boosting the labour market as well. The economic recovery is somewhat slower than expected, but the revisions to the macro picture since the previous forecast have negligible effects on central government finances.

The Debt Office expects slow growth of the Swedish economy this year, followed by a gradual improvement in the coming two years. Inflation has gone down and is expected to remain below the Riksbank's target during the forecast years. Lower interest rates, rising real wages, and tax breaks lay the groundwork for household consumption to ultimately increase again. There is also a turnaround in sight for the labour market, and unemployment starts to fall in the beginning of next year. When the labour market gains strength, the rate of payroll growth also gradually increases.

Limited traction from rest of world

The Swedish economy does not gain much traction from other economies during the forecast years, among other things because economic growth in the euro area appears moderate for both this year and the next. At the same time, there is significant uncertainty as to how the outcome of the presidential election in the US might affect the Swedish economy. A more protectionist US trade policy may have an adverse impact on countries such as Sweden, as we rely on well-functioning trade between countries (see more on page 16). The Debt Office's assessment of international developments is based on the National Institute of Economic Research's (NIER) latest forecast (see table 14 in the Appendix of Tables).

The largest economy in the euro area is Germany's, which has recently become discernibly weaker. This is of particular concern within the manufacturing industry, which will likely affect Swedish export adversely. At the same time, real-wage increases and interest-rate cuts will gradually lead to increased demand via higher consumption and investment. The economy of the euro area therefore appears to grow faster in 2026.

The US economy has progressed stronger than expected in 2024. This is in part due to real-wage increases, which have augmented the higher consumption. Next year, GDP growth is slightly lower, which may have somewhat of a dampening real economic effect on the rest of the world. Weaker demand causes the US labour market to shrink slightly, which may contribute to continued policy-rate cuts by the US central bank, the Federal Reserve.

Swedish economic recovery takes hold

The Swedish economy has not grown since the end of 2021. This year, GDP rose in the first quarter, fell in the second quarter, and appears weak for the third quarter. Despite the poor progression so far, the prospects for recovery are considered to be relatively good, even if the upturn will occur a little later than we expected in the previous *Central Government Borrowing* report.

Altogether, we expect subdued growth this year and for GDP to thereafter grow faster. In 2025 and 2026, GDP grows by 1.9 and 2.5 per cent respectively (see table 5). Compared with the previous forecast, we have revised down the 2025 outlook.

Table 5 GDP and its components in constant prices, forecast

Percentage change

Variable	Outcome 2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
GDP	-0.3	0.7	0.5	1.9	2.3	2.5
Household consumption	-2.3	0.3	1.3	2.8	2.6	3.1
General govt. consumption	0.7	1.1	1.6	1.2	1.6	1.4
Gross fixed cap. formation	-1.4	-2.2	-2.5	1.5	3.0	4.0
Changes in inventories*	-1.4	0.1	-0.1	0.3	0.0	0.0
Exports	3.2	1.9	2.4	2.3	3.6	4.0
Imports	-1.1	0.7	1.8	3.1	4.1	4.9
Net exports*	2.2	0.7	0.4	-0.3	0.0	-0.3
GDP (calendar-adjusted)	-0.1	0.7	0.5	2.1	2.5	2.2

Note: 24:2 refers to the previous forecast. *Contribution to GDP growth, percentage points.

Source: Statistics Sweden and the Debt Office.

So far, GDP growth has been subdued in 2024. GDP decreased slightly in the second quarter, driven by a broad drop in investment while households continued to reduce their consumption. At the same time, export was relatively strong. In the third quarter as well, the economy appears to have progressed slightly according to preliminary figures from the statistics agency Statistics Sweden.

For 2024, we have revised down domestic demand, which mainly reflects weaker outcomes for household consumption. This is mostly offset by larger contributions from foreign trade. Next year, both domestic demand and foreign trade are revised down slightly. The trend for GDP in current prices is described in the section “Revisions to macro picture do not affect budget balance” on page 14.

In 2025, we expect a rate of inflation below the Riksbank’s target to set the conditions for lower interest rates and rising real income. Instead of making its own forecast of the interest rate trend, the Debt Office uses forward pricing, which is indicating a decline in short-term interest rates for the forecast years. Altogether, this creates better prospects for a recovery in domestic demand.

Divergent indicator picture

NIER's Economic Tendency Survey has receded since the previous *Central Government Borrowing* report and still shows a lower-than-usual mood for the economy. Per sub-sector, the mood is highest in retail trade followed by households, with the construction sector being the lowest. According to the indicator, confidence in the manufacturing industry has decreased whereas corresponding indicators in the purchasing managers' index have moved slightly upwards since the spring.

Two years ago, consumer confidence was at its lowest level in the 30-year history of the Economic Tendency Survey. Since then there has been a substantial turnaround, and consumer confidence is back to above-normal levels. Expectations for personal finances twelve months ahead have risen to historically high levels. The optimism is partly due to expectations that the Riksbank will lower its policy rate.

Housing investment and household consumption are the areas that have plummeted the most in recent years. In periods ahead, households will instead become the most important driver of the economy. Falling interest rates and rising real wages indicate that a consumption-driven recovery is underway in the interest-sensitive Swedish economy.

Improved conditions for households

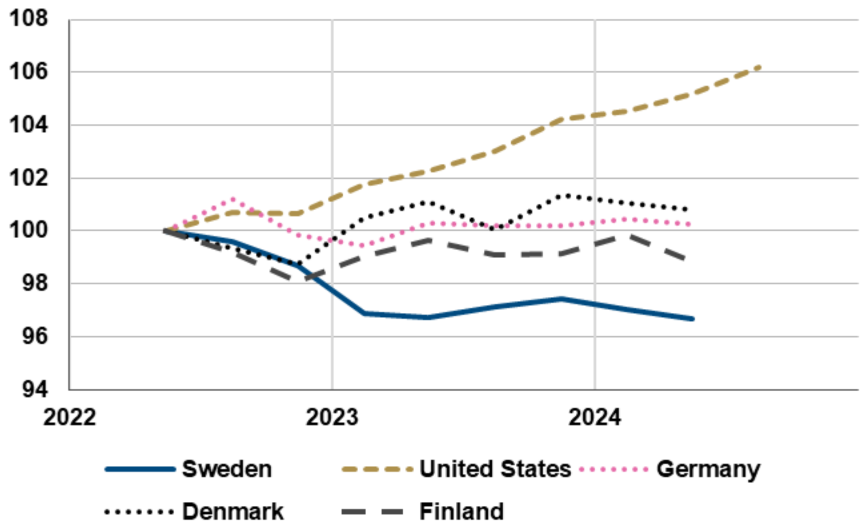
Household consumption has fallen by around 3.5 per cent since mid-2022, but now the outlook for households is improving. Although consumption has continued to decrease so far this year according to the National Accounts (NA), the mood shows that confidence is growing.

A historical comparison shows that the drop in consumption in recent years is slightly deeper than during the recession of the 1980s but not quite as deep as during the crisis of the 1990s. Nevertheless, the periods of decreased consumption during the pandemic and the financial crisis were more short-term. Even in comparison with most European countries, Swedish households have experienced a very weak trend in recent years (see figure 1). One explanation for consumption falling in recent years is the combination of high indebtedness and short fixed-interest periods. Households are more sensitive to interest rates today than in previous periods of contractionary monetary policy.

Retail trade and consumption according to monthly statistics now point to third-quarter growth in household consumption according to the National Accounts. During 2025 and 2026, we expect consumption to grow above the historical average, driven by solid purchasing power, tax cuts, and a gradually strengthening labour market. In our assessment, households also continue to increase their saving. There is however great uncertainty in regard to the trade-off between saving and consumption for households in periods ahead. This means that consumption may surprise both upwards and downwards.

Figure 1 Private consumption in selected countries

Index, 100=2022q2



Sources: Statistics Sweden and national sources.

Investment rises next year

After a sharp drop in total investment in recent years, a shift is underway here as well. In the Debt Office's assessment, investment in housing will stop decreasing after the turn of the year and then start to increase at a moderate rate. Other areas of trade-and-industry investment are also expected to grow at a faster rate in the coming years.

In the second quarter, the level of investment was 4.5 percentage points below the peak level two years ago. The decline has been driven mainly by housing investment, but service providers' investments have also dropped.

There are now signs that housing investment may start to grown again in the coming quarters, such as historical correlations between construction projects that have commenced and investment. Lower interest rates are expected to increase demand for housing and are pointing towards a recovery for housing prices after the drop in recent years. There is also a new proposal for eased amortisation requirements, which if implemented could contribute to higher housing prices. A factor that has an inhibiting effect on housing investment is that the expected population increase has been reduced by half, according to Statistics Sweden's latest projection.

Our assessment holds that other areas of trade-and-industry investment will accelerate in the coming years, driven by the green transition, increased consumption, and stronger export. According to NIER's Economic Tendency Survey, the mood within the manufacturing industry has deteriorated, which contributes to us revising down the investment forecast for the private sector. We assess that public sector investment will increase in 2025 and 2026, driven by the central government's defence and infrastructure initiatives.

Export outlook is uncertain

Foreign trade in recent years has contributed greatly to GDP and thereby offset the weak domestic demand. Now, demand in many important export markets is subdued, not least in Germany. New export orders and export order books have shrunk since the spring. Further ahead, growth of the Swedish export market is nevertheless expected to gradually accelerate.

The recent US presidential and congressional elections are expected to lead to tariffs imposed on imports from Europe. The effect on Swedish export is, however, offset by other announced measures that are increasing US demand. Sweden's major services exports are not expected to be affected either. Altogether, we have revised down growth for export, which is expected to grow more slowly than the historical average in the coming years.

Inflation well below target

We are revising down the progression of CPIF inflation compared with the previous forecast. Both electricity and fuel prices have fallen from the levels this spring.

After the drastic price increases in recent years, inflation is once again close to the Riksbank's target. Following the peak of over 10 per cent in December 2022, CPIF inflation fell to just above 1.5 per cent in October. A partial explanation for this is that the prices of many commodities, metals, and agricultural products have dropped, thereby lowering production costs for companies. Sector-wise, prices fall in the goods sector but still increase by around 2.5 per cent in the service sector, driven by a high rate of increase in rents and administrative prices (prices of goods and services produced and priced by the public sector).

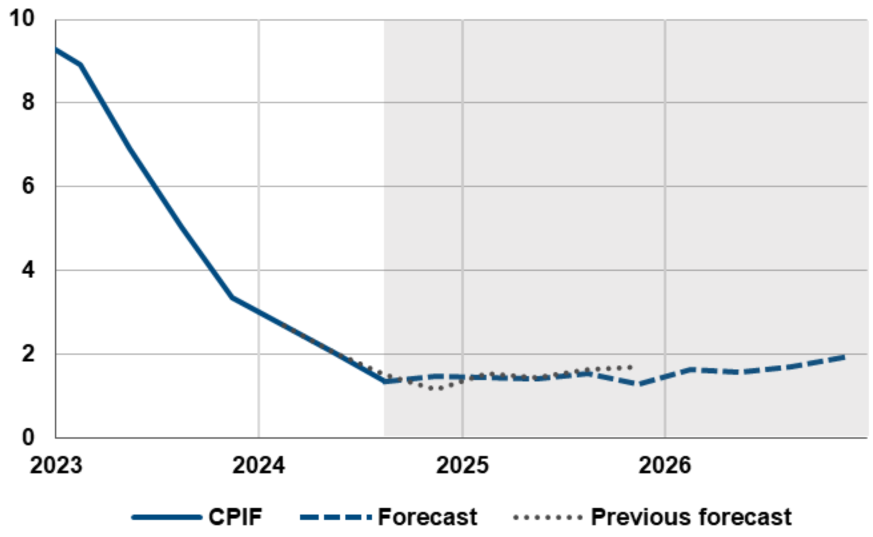
The fact that wage increases are fairly high creates some cost pressure, but competition is hard and demand is weak, which means that the possibilities for companies to transfer this to consumers is limited. Measurements of companies' price plans have also gone down, mainly within durable goods. Inflation expectations according to Prospera have fallen below 2 per cent for the short term but remain in line with the Riksbank's target with a five-year horizon.

In terms of different subgroups in the inflation index, we expect food and goods prices to drop somewhat, while services prices continue to rise. The krona is at approximately the same levels as in the previous report, but it has weakened against both the euro and the dollar, measured since the turn of the year. This points towards marginal inflation effects from the exchange-rate channel this time.

Measured as an annual average, we expect CPIF inflation to be 1.8 per cent this year, 1.4 next year, and 1.7 per cent in 2026. Not until the end of the forecast period does CPIF inflation move back towards the 2-per cent target, in our assessment. As a result of the impact of interest-rate cuts, CPIF inflation is expected to temporarily drop to below 0 per cent in mid-2025, to then rise toward 2 percent in 2026 (see figure 2).

Figure 2 CPIF inflation

Annual percentage change



Sources: The Debt Office and Statistics Sweden.

Labour market turns during forecast

The labour market remains weak but is expected to gradually gain strength in the spring, boosted by the economic recovery. Payroll growth is also expected to accelerate when the labour market gets stronger and the number of hours worked increases. Changes in the labour market forecast compared with that from May are small (see table 6).

Table 6 Labour market and wages

Percentage change

Labour market and wages	Outcome 2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
Unemployment[1]	7.7	8.4	8.4	8.4	8.3	7.8
Employment	1.4	-0.5	-0.4	0.6	0.7	1.3
Labour force	1.6	0.3	0.4	0.5	0.6	0.7
Payroll	5.3	4.0	4.0	4.4	4.5	4.8
Hours worked[2]	1.4	-0.2	0.3	0.8	1.0	1.2
Hourly wage, NA[3]	3.8	4.1	3.7	3.5	3.4	3.5
Hourly wage, NMO	3.8	4.0	3.8	3.6	3.5	3.5

Note: 24:2 refers to the previous forecast. [1] Per cent of the labour force. [2] Calendar-adjusted values. [3] Hourly wages in the NA are calculated as the ratio of payroll and the number of hours worked.

Sources: National Mediation Office, Debt Office, and Statistics Sweden.

Development in line with expectations

The labour market has become weaker in line with the forecast from May, and an aggregate picture of forward-looking indicators still points to a somewhat bleaker situation than usual. The number of redundancy notices has increased to just above the historical average, and the number of job vacancies via the Swedish Public Employment Service has continued to decrease, although more slowly. Plans for employment according to the Economic Tendency Survey have bottomed out and indicate that there are marginally more employers that intend to hire than reduce staff in the near future. Roughly, the employment plans are equally distributed among the sectors. Since the last forecast, they have increased in retail, the construction sector and in industry, while decreasing sharply in the service sector.

With the major shortage of labour during the recovery from the pandemic still fresh in mind, many employers were initially inclined to retain staff as the economy weakened in conjunction with the upturn in interest rates and inflation. This mitigated the deterioration of the labour market. The shortage of labour experienced by employers has now fallen from high levels to the historical average. In a climate in which employers are not suffering a shortage of labour to the same extent, there is a risk that they will be more inclined than previously to reduce staff in the event of a setback in the economic recovery.

Employment will start to increase again

As recently as mid-2023, employment was record-high. It has since shrunk slowly. For the rest of the year, the trend will remain weak, but next year employment will gain traction from the economy and increase at a growing rate during the forecast period (see table 6).

The number of people with employment limited to a certain period has decreased since mid-2022. The trend for this group usually provides an indication of where the labour market is headed. Recently, the reduction has slowed down notably perhaps marking the beginning of a break in the trend, which could be a sign of a turnaround for employment throughout the entire labour market.

Unemployment soon over crest

Unemployment is also an indication of a weak labour market. Here, the effects of both shrinking employment and a growing labour force are apparent. Since May, unemployment has continued to increase, according to both the Labour Force Survey (LFS) and the Swedish Public Employment Service’s measure.

Unemployment will remain high for a while but not without increasing appreciably from the current level. In the spring, unemployment will gradually decrease as employment starts to grow faster than the labour force. The final level will be slightly higher than in the initial stages of the deterioration of the labour market (see table 6 and figure 3).

Figure 3 Unemployment

Per cent of labour force, 15–74 years and 16–65 years, respectively

Note: Quarterly and seasonally adjusted data. LFS is the Labour Force Survey and PES is the Swedish Public Employment Service.

Sources: The Debt Office, Statistics Sweden and Swedish Public Employment Service.

Payroll is elevated by hourly wage trend

In the Debt Office's assessment, the growing strength of the labour market will contribute to more rapid payroll growth in 2025 and 2026. But before growth can start to pick up, it will fall just below the historical average.

What determines the rate of growth can be described as the change in the number of hours worked and the average hourly wage. Hourly wages will largely be affected by the 2025 collective wage bargaining rounds, which affect approximately 3.4 million wage earners (see the In-depth section on page 16). In the Debt Office's assessment, the hourly wage trend will shift down slightly from the current high levels but continue to increase faster than the average from the 2010s. This keeps payroll growth up despite the recent weak trend for hours worked. Furthermore, the Debt Office assesses that the hourly wage trend will vary significantly less than the number of hours worked during the forecast period. Accordingly, it is mainly the trend for hours worked that affects the variation in the rate of payroll growth.

Since the assessment in May, the progression for hours worked has been weaker than expected. The hours trend has therefore been revised down, mainly for this year as they now appear to be decreasing. In coming years, they will start to grow again at an increasing rate and then contribute to payroll growth also accelerating.

Macro revisions do not affect budget balance

The Debt Office's revisions of the macro picture do not affect the budget balance appreciably. In many cases, the trend has been in line with the previous forecast and most of the revisions are therefore small. Many effects of the revisions made also cancel each other out. For the budget balance, the level in current prices is significant, see table 7.

In the case of consumption, we are making a downward revision in real terms this year – but this is offset by nominal revisions, which means that the changes in current prices are small. For both consumption and investment, the changes this year are offset by the changes next year, thereby keeping the level for 2025 largely the same as in the assessment from May. In addition, the general review of the National Accounts complicates comparisons between the forecasts. Compared with the previous forecast, the payroll trend holds steady.

Table 7 GDP and its components in current prices

Percentage change

Variable	Outcome 2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
GDP	5.8	3.7	1.9	2.6	3.5	4.4
Household consumption	4.0	2.7	2.9	4.1	4.0	4.8
General govt. consumption	8.5	5.1	3.3	1.9	4.1	4.6
Gross fixed cap. formation	3.7	-0.3	-2.0	1.1	2.7	5.3
Changes in inventories*	1.4	0.1	-0.1	0.4	0.0	0.0
Exports	8.4	1.9	0.4	-0.1	2.0	3.6
Imports	4.2	-0.1	-0.5	0.7	2.2	4.5

Note: 24:2 refers to the previous forecast. *Contribution to GDP growth, percentage points.

Sources: Statistics Sweden and the Debt Office.

Risk for delayed recovery

The primary uncertainty factor in the macro picture is whether the economic recovery will be postponed, which could delay recovery in the labour market as well. In our assessment it is more likely that the recovery will be postponed than arrive sooner or stronger than in the forecast.

Turning points are difficult to foresee. In the forecast, the negative macro trend will turn around relatively soon. In the Debt Office's assessment, increased consumption will be a driver of the recovery, but the turnaround in consumption has taken time despite rising consumer confidence, increased real wages, and falling interest rates. This demonstrates the difficulty in foreseeing when and to what extent a recovery will occur. Compared with three years ago, the general price level has risen by over 20 per cent and food prices by over 25 per cent, while the level of real wages is equivalent to what it was ten years ago. The shock to purchasing-power could lead to consumption being overestimated in the forecast, despite the scope of household consumption now rising. The trade-off between consumption and saving is difficult to assess.

A small open economy such as Sweden's is greatly affected by international developments. Donald Trump is the president-elect in the US and used protectionist rhetoric during his election campaign. If this becomes a policy reality in the US, higher tariffs than those in the forecast may be imposed on the country's imports. This could have ripple effects with several trade obstacles in the rest the world and further suppress global trade. The US economy has been strong for a long time, and the extent to which the Federal Reserve will lower interest rates is uncertain. US interest rates affect interest rates in the rest of the world and thus a continued strong US economy could have adverse effects in Sweden via higher interest rates.

The German economy, which makes up a large portion of Sweden's foreign trade, is in low gear. At the same time, political disagreement as to how the situation should be managed has led to the scheduling of new elections. The outlook for the German economy is uncertain and there is a risk of further deterioration, which could delay economic recovery in Sweden. The conflict in the Middle East is an additional factor that may have an economic impact primarily through rising oil prices with subsequent inflationary pressure. The war in Ukraine has previously had major economic consequences in Europe and also remains a risk factor.

A great deal of Swedish wage earners come under the agreements that expire in the spring of 2025. Until the new "mark" is determined within the framework for industry agreements, uncertainty about the rate of wage increases during the forecast period will remain elevated.

In-depth

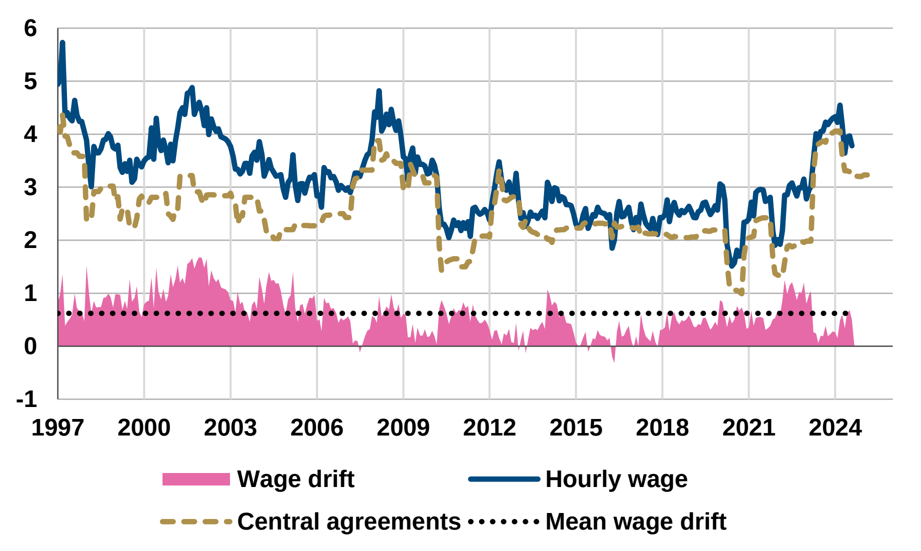
Collective wage bargaining rounds steer wage trend

The wage trend via payroll (gross wage sum) is one of most important determinants of central government revenue. Throughout 2025, over 500 agreements affecting 3.4 million wage earners will be negotiated, and the extensive scope will have a clear impact on government finances. Ahead of the upcoming collective wage bargaining rounds, inflation has stabilised around the target at the same time as wage earners' purchasing power has eroded. The rate of wage increase has decreased from the peak, but according to the parties' expectations for the future it appears to still have the potential to be higher than in the 2010s.

The wage agreements concluded by the parties in the industrial sector have set the standard for Swedish wage formation since the sectoral collective agreement's inception in 1997. The agreed-upon rate of wage increase is called the "mark" and is used as a benchmark for most industries. In stabile conditions, the parties often enter into agreements for three years, but in more uncertain times it is usual for agreements to be for one or two years. As a rule, the actual wage trend stays fairly near the centrally agreement-upon wages, but local negotiations involve some deviation called wage drift (see figure 4).

Figure 4 Nominal hourly wage development according to short-term wage statistics

Annual percentage change and percentage points, respectively



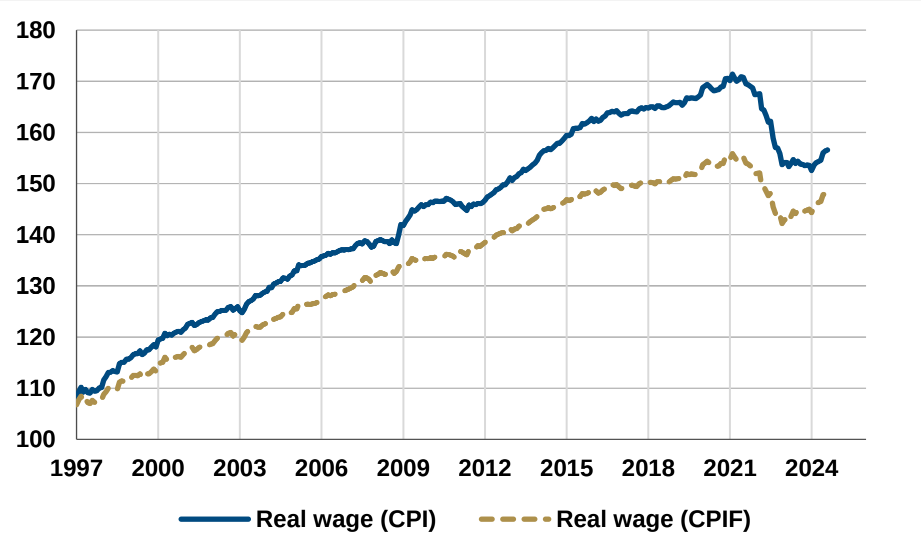
Note: Statistics up to and including August 2024. The last twelve outcomes of the monthly statistics are preliminary and subject to change as the statistics become more definite. In addition, the central agreements extend through March 2025 when the current mark expires. This part is also preliminary. Wage drift is denoted in percentage points.

Source: National Mediation Office.

The current mark took effect on 1 April 2023 and was set for two years at the highest negotiated rate of wage increase in the history of the sectoral collective agreement. At the start of 2025, the parties will begin negotiations and the new mark will take effect on 1 April. Most of the agreements will be at or near the mark.

Figure 5 Real development of hourly wages

Index 1995=100, seasonally adjusted data



Note: The trend for real wages differs depending on which measure of inflation is used.

Source: National Mediation Office.

Lower uncertainty but also worsened purchasing power

The conditions ahead of the forthcoming collective wage bargaining rounds are less uncertain. Inflation has fallen significantly and appears to be near the target of two per cent in periods ahead. At the same time, the trend for both for the economy and labour market is weak, even though our forecasts and those of others indicate a slow progression towards better times. For the internationally competitive industry, international developments are also important, and the economic trend outside Sweden appears to be improving as well.

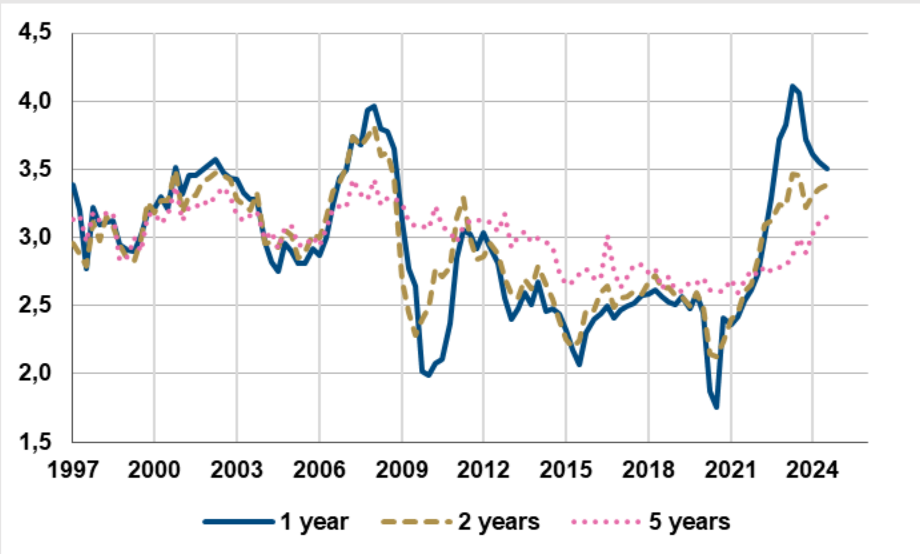
As inflation has fallen, real wages have begun to increase recently. Seen over recent years, wage earners' purchasing power has decreased and is now at the same level as in mid-2014 adjusted for CPI (see figure 5).

Expectations point to higher wages than in 2010s

Ahead of coming collective wage bargaining rounds, continued wage pressure that is higher than in the 2010s is reflected in the parties' expectations of the rate of wage increases. The eroded purchasing power of wage earners is one reason for this. The scope of wages is also greatly affected by productivity, which will rise when the economy recovers.

Figure 6 Parties' expectations for hourly wage trend 1, 2, and 5 years ahead

Annual percentage change



Note: The expectations are calculated as an average of those of the trade unions and the employers' organisations that were published in Prospera's survey.

Source: Kantar Prospera.

In November, the unions within the industrial sector presented wage claims of 4.2 per cent for agreements for one year. This is 0.2 percentage points lower than the historically high claim the last time the collective wage bargaining rounds were conducted. In a survey by Prospera, the parties' wage expectations for one year forward have decreased slightly in the near term, although they remain high from a historical perspective. Since the last time the rounds were conducted, wage expectations have increased for two years forward and, above all, for five years forward. To see similar levels of wage expectations, regardless of what time horizon they refer to, we need to look back at the financial crisis (see figure 6).

From surplus to deficit

The Debt Office expects a budget deficit for the central government this year and the coming two years as expenditure increases. The deficits for 2024 and 2025 are slightly larger than in the previous forecast, but the budget balance gradually becomes stronger in the forecast period. The deficits entail that the central government debt measured in kronor increases, although it remains at a low level as a proportion of GDP.

After three years of budget surpluses, the central government is now approaching a period of deficits. The turnaround in the budget balance this year is mainly due to rising expenditure as a result of the previously high inflation, higher defence appropriations, and a capital contribution to the Riksbank. In the coming two years, the deficits decrease as the increase in expenditure slows, income from taxes increases, and Sweden receives aid from the EU's Recovery and Resilience Facility.

Table 8 Central government budget balance

SEK billion

Central government budget balance	Outcome 2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
Primary balance[1]	31	-57	-45	-33	-29	-6
Debt Office net lending[2, 3]	20	0	-4	-2	3	-5
Interest on central government debt[3]	-32	-21	-22	-30	-31	-24
Budget balance[4]	19	-78	-71	-65	-56	-35
Central government net lending	3	-50	-75	-31	-17	-28

Note: 24:2 refers to the previous forecast.

[1] The primary balance is the net of central government income and expenditure excluding interest payments and Debt Office net lending.

[2] Debt Office net lending mainly consists of the net of government agencies' loans and deposits in the central government's internal bank.

[3] The table shows Debt Office net lending and the interest on central government debt in terms of how they affect the budget balance. The signs are therefore the opposite of those shown in Tables 8 and 9.

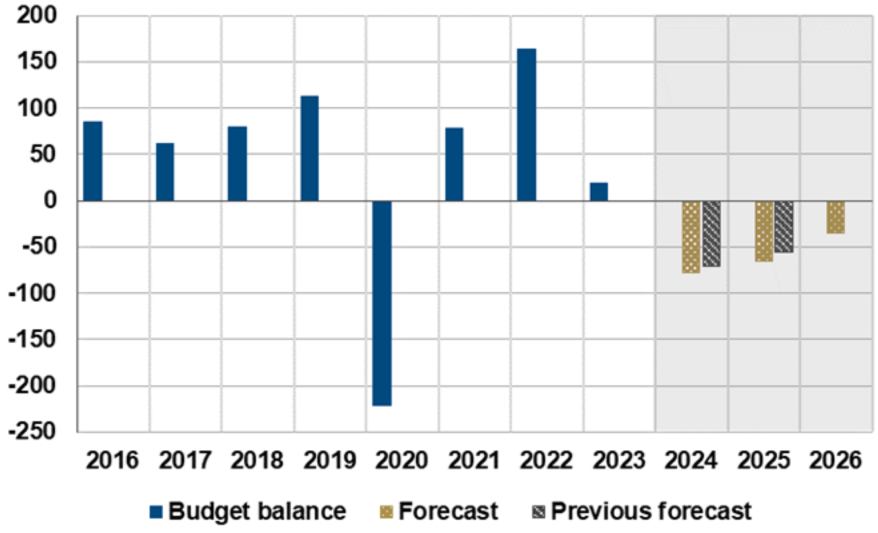
[4] The budget balance with the opposite sign is the central government net borrowing requirement.

Sources: The Debt Office and Statistics Sweden.

The new forecast shows a budget deficit of SEK 78 billion in 2024 and SEK 65 billion in 2025 (see table 8). Compared with the previous forecast, the budget balance is slightly weaker for both this year and next year (see figure 7). For both years together, the budget balance is revised down by SEK 16 billion.

Figure 7 Central government budget balance 2016-2026

SEK billion



Source: The Debt Office.

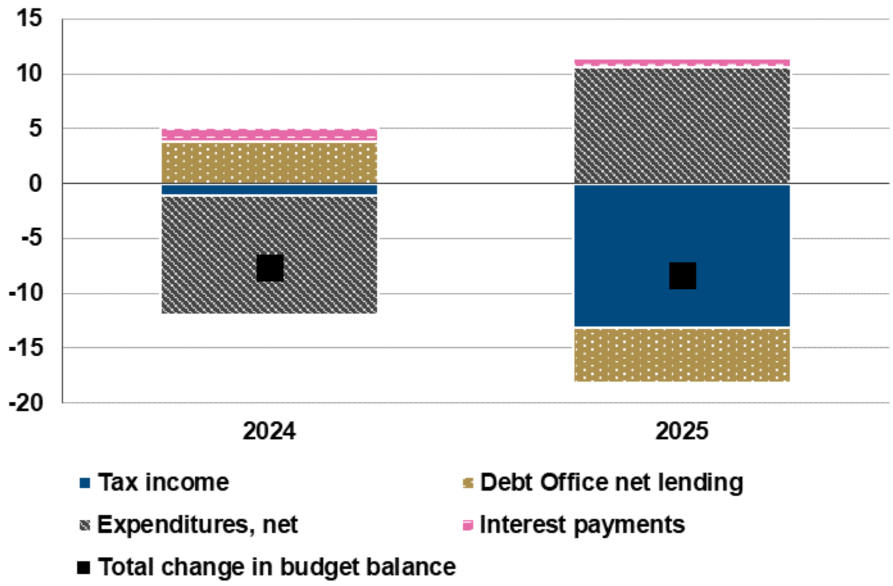
The Debt Office's forecasts of the budget balance are mainly influenced by:

- trends in the economy and labour market (see previous chapter)
- fiscal policy presented in the Government's budgets and our assumptions on future fiscal policy (see the In-depth section on page 26)
- large one-time payments (for example EU payments and capital contributions).
- inflows and outflows under the item "Debt Office net lending" (for example congestion revenue, disbursement of electricity support, and on-lending).

In the Debt Office's new forecast, the revisions to the budget balance for 2024 and 2025 are mainly due to three things: the payment of a capital contribution to the Riksbank having been lower than in the May forecast, that incoming payments from the EU facility are now expected to occur in 2025 and 2026, and that the Government's budget contained more fiscal policy that in the Debt Office's assessment from May. Figure 8 shows how the change in the forecast of the budget balance is divided among these components. The revisions for each area are explained in more detail in the next sections.

Figure 8 Forecast changes, budget balance

SEK billion



Note: The figure shows changes in the budget balance. A positive amount means that the budget balance is strengthened, whereas a negative amount means that it is weakened.

Source: The Debt Office.

Fiscal policy has impact on income from taxes

After falling in 2023, the central government's income from taxes rises in the coming years (see table 17 in the Appendix of Tables). The upswing is broad with most types of tax increasing against the backdrop of, among other things, the economic recovery and lower final settlements of previous years' municipal and regional income taxes. As a result of the fiscal policy presented by the Government in the Budget Bill for 2025, we are, however, revising down tax income for 2025 compared with the May forecast. It is mainly payroll tax that is now lower.

Facts

What are the types of tax income?

The Debt Office divides central government tax income into payroll tax, consumption tax, corporate tax, and supplementary tax. The income from taxes depends on, among other things, macro variables such as household consumption, investment, and payroll (see the previous chapter). The different types of tax are described in brief below.

- Payroll tax consists of the sum of preliminary "A-tax" (PAYE income tax deducted by the employer) and employer's contributions, excluding fees for the old-age pension system and disbursements of municipal tax. Payroll (the gross wage sum) affects payroll tax through preliminary "A-tax" and employer's contributions. Local and regional governments receive preliminary amounts as disbursements of municipal tax from the central government. When income for the calendar year is established two years later, the difference from the preliminary disbursements is settled in a one-time payment (final settlement).

- Consumption tax mainly comprises value-added tax (VAT) and excise duties. These are mostly affected by household consumption and investment.
- Corporate tax comprises among other things taxes that companies pay, particularly payroll tax and yield tax, which is a tax on pension capital and endowment insurance.
- Supplementary tax consists mainly of the net of incoming and outgoing payments from tax accounts, and where the charge is not debited continually. This concerns the flows as a result of deficits and surpluses in conjunction with tax assessment, but it can for instance also be in the form of capital placements in tax accounts.

The largest source of tax income for the central government is consumption tax, accounting for approximately 50 per cent of the total income. The smallest contribution is from supplementary tax. Supplementary tax is, however, volatile, which means that it often has a distinct effect on the forecast revisions made.

Stronger trend for tax income between years

The increase in tax income this year is due to supplementary tax, corporate tax, and consumption tax rising since 2023. The increase in the coming years is driven above all by an increase in corporate and consumption tax due to the higher economic activity.

Payroll tax, however, continues to fall this year after the decline in 2023. Important explanations for this are higher final settlements of previous years' local and regional income taxes and only a modest increase in payroll tax growth. The latter means that preliminary A-tax and employer's contributions are slightly inhibited. Next year, payroll tax remains at essentially the same level and then increases again in 2026. During the forecast period, income from payroll tax is weighed down by tax cuts whereas lower final settlements in 2026 have the opposite effect (see the Facts section on the previous page). In addition, preliminary A-tax is affected by the lower rate of inflation, which, among other things, reduces the basic allowance, contributing to an increase in payroll tax.

Consumption tax rises faster in 2024 than in 2023 because household consumption at fixed prices goes up. This causes excise duties to grow this year despite tax cuts. In 2025 and 2026, continued tax cuts mean that excise duties remain at approximately the same level. Investment at current prices falls this year, inhibiting tax income from VAT. Thereafter, consumption and investment increase instead, which bolsters income from VAT, albeit from a low level.

Income from corporate tax continues to increase throughout the forecast period, although at a slightly slower rate than in the last three years. Tax from corporate profits is the main driver of the development between the years. At the same time, yield tax, which has increased significantly in recent years, flattens out at a high level.

Income from supplementary tax has developed strongly since 2021. The income increases distinctly this year compared with 2023, among other things as a result of a slowdown in tax disbursements. In the coming years, supplementary tax is largely unchanged.

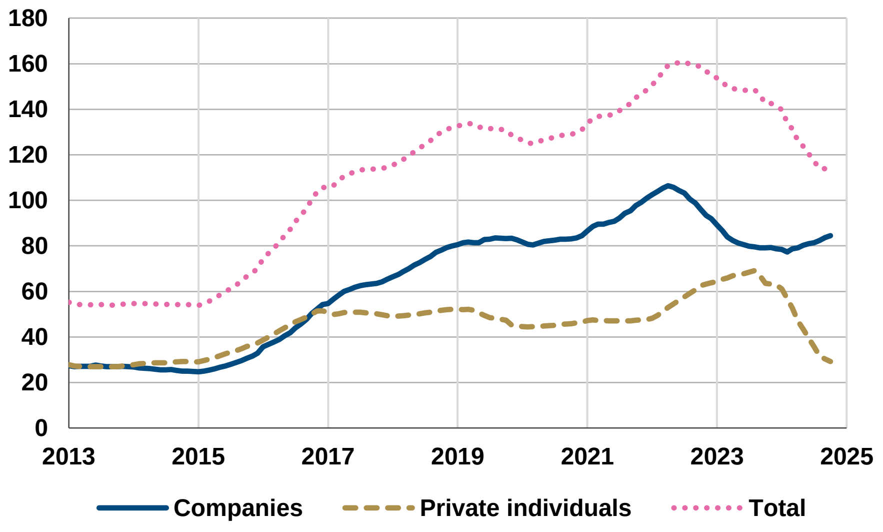
Tax income revised down as result of fiscal policy

The forecast for the central government's income from taxes is largely unchanged for 2024 and revised down by SEK 13 billion for 2025. This year, an upward revision of consumption tax is essentially cancelled out by a downward revision. Next year, it is primarily payroll tax that is revised down because of the tax cuts proposed by the Government in the Budget Bill.

The forecast for income from supplementary tax is revised down by almost SEK 5 billion for this year and is largely unchanged for next year. The downward revision this year is mainly due to weaker outcomes than expected for both deposits and withdrawals from tax accounts. However, the fact that the level of withdrawals is lower than expected offsets the downward revision together with stronger outcomes of preliminary tax on interest and dividends.

Figure 9 Total balance, tax accounts

SEK billion



Note: The total balance primarily consists of deposits in order to cover forthcoming tax payments, as well as capital placements. It is, however, not possible to determine what proportion is capital placements. The figure shows the twelve-month moving average.

Sources: The Debt Office and the Swedish Tax Agency.

Supplementary tax also includes capital placements in tax accounts. The Swedish National Financial Management Authority (ESV) assesses that these amounted to SEK 51 billion in total at the end of 2023 and that there is a decrease of approximately SEK 10 billion in capital placements in tax accounts for this year. This is in line with the trend for tax account balances, which we use as an indicator of the scale of capital placements (see figure 9). Based on the weaker balance in tax accounts, we are making a small adjustment to the net outflow of capital placements, so that it will now be slightly higher than before. We expect a net outflow of approximately 8 billion for 2024 and thereafter SEK 6 billion per year.

Increased expenditure during forecast period

The central government's primary expenditure increases distinctly this year after having gone down in 2023 as a result of the phase-out of pandemic support. Next year, primary expenditure continues to increase, although at a slower rate. On the whole, we are only making minor adjustments to the forecast for total primary expenditure throughout the forecast years.

Facts

Primary expenditure illuminates underlying trend

Primary expenditure is how the Debt Office defines the central government's expenditure that is not interest or Debt Office net lending. The intention is to show the underlying expenditure trend. In primary expenditure, certain types of income are deducted. This is income that is not from taxes, dividends, or the sale of government assets. EU grants are one such example. In other words, this entails lower primary expenditure.

Inflation effects and fiscal policy lead to higher expenditure

The sharp increase in the central government's primary expenditure in 2024 is largely the result of increased defence appropriations and several expenditure items being affected by the previously high inflation. The inflationary effects are seen both in appropriations to government agencies, which are calculated using the price and wage trends two years earlier, and in social insurance, which in several cases is written up using the previous year's price-base amount. Higher government grants and expenditure within the legal system and education also contribute to the increase in spending (see Table 17 in the Appendix of Tables). The capital contribution of SEK 25 billion to the Riksbank that was paid out in September further increases the level of expenditure for this year.

Central government expenditure continues to increase in 2025 and 2026, although not as rapidly. As the effect of the previously high inflation abates, further fiscal policy initiatives increase expenditure by around SEK 50 billion per year. In 2025, this mainly concerns additional funds for defence and healthcare and medicine. Education spending also increases.

In 2026, primary expenditure increases mainly because of continued defence initiatives, including aid to Ukraine, as well as within communications resulting from the Government's infrastructure bill for the area. Expenditure also increases from our assumption of unfunded fiscal policy measures corresponding to SEK 35 billion.

Incoming payments from the EU facility are deducted from primary expenditure and thereby have a dampening effect. In the budget for 2025, the Government announced that it intends to apply for payments corresponding to SEK 35 billion from the EU facility. The Debt Office assumes that the payments will occur in both 2025 and 2026. The timing is uncertain, but the Debt Office assumes that the equivalent of SEK 19 billion will arrive in 2025 and SEK 16 billion in 2026.

In-depth

Assumptions regarding fiscal policy

The fiscal policy in the Debt Office's forecast is based on proposals in the Budget Bill for 2025, including the measures that the Government has announced for 2026. In addition, we assume further unfunded fiscal policy measures for 2026.

The Budget Bill for 2025 contains unfunded measures for around SEK 60 billion. Just over SEK 40 billion of the measures involve increased expenditure, whereas the tax proposals as a whole reduce tax income by around SEK 20 billion. On the expenditure side, the largest single measures target healthcare and medicine and the defence build-up. Other large measures are proposed within areas such as the legal system, education, and the labour market. Among the proposals for changed taxes are a new employment tax credit and reduced tax for pensioners.

The Government has introduced a SEK 75 billion framework for military aid to Ukraine for 2024–2026. In the forecast, we have taken account of this aid, which is currently itemised. The burden on the central government's budget from the aid that is left to distribute, i.e. the amounts that are in appropriation 1:14 in Expenditure area 6, will depend on the form of aid. We have made a calculation-based assumption that the remaining aid within each year's framework will weigh down the central government budget for five years.

The Budget Bill for 2025 announced unfunded measures amounting to 67 billion SEK for 2026, excluding military aid to Ukraine. In addition to this, the Debt Office assumes additional unfunded measures of SEK 35 billion for 2026. For calculation purposes, the measures are entered as expenditures, but they should not be interpreted as a forecast of how they will be distributed by the Riksdag or as the Debt Office's view of how they should be distributed.

Previous forecast holds up rather well

Compared with the previous forecast, we are revising up primary expenditure by SEK 11 billion for this year and down by as much for next year.

The higher primary expenditure this year is due to slightly higher outcomes and that we no longer expect incoming payments from the EU facility in 2024. The increase is tempered by the capital contribution to the Riksbank having been lower than we assumed in the May forecast.

The revision for 2025 is also affected by the assumption of when the incoming payment from the EU facility will occur, although with the reverse effect. The measures introduced in the Government's budget for 2025 (see the Facts section below) does not appreciably affect the expenditure forecast as we assumed discretionary spending amounting to SEK 40 billion for 2025. This assumption is in line with the measures presented in the Budget Bill.

Debt Office net lending is neutral this year

The effect on the budget balance from the Debt Office's net lending to agencies and other parties is neutral for 2024 and slightly negative for 2025 and 2026. The forecast for the net lending has been revised down for this year and revised up for next year.

In recent years, net lending by the Debt Office has had a major impact on the budget balance's progression. This has mainly been due to two temporary factors. The first is the loans raised by the Debt Office on behalf of the Riksbank for financing the foreign currency reserve having been paid back in 2021–2023. The other explanation is that Svenska kraftnät's deposits at the Debt Office were unusually high in 2022 as a result of significant revenue from congestion rent. In 2023, Svenska kraftnät's deposits decreased as congestion revenue was used to finance electricity price support to households and businesses.

This year, net lending by the Debt Office has a slightly negative effect on the budget balance. Mainly three factors affect the net lending in 2024. In 2023, the Deposit Guarantee Fund kept a holding of securities until maturity, after which funds were transferred to the Fund's account at the Debt Office. In 2024, the Fund placed these funds. This led to the Fund reducing its deposits at the Debt Office and that net lending by the Debt Office increased. The effect of this outflow has been offset by Svenska kraftnät's deposits at the Debt Office having increased from the continued inflow of congestion revenue. The Swedish Defence Materiel Administration's (FMV) deposits are also increasing as a result of the agency's transition to a new financing model. As part of the transition, the agency is making a transfer payment of appropriated funds that increases its deposits at the Debt Office and thereby decreases the net lending.

In 2025 and 2026 as well, congestion revenue and the FMV's adjustments reduce the net lending. This is offset by the Debt Office's lending to CSN increasing as more student loans are paid out.

Table 9 Debt Office's net lending

SEK billion

Net lending to agencies and other parties	Outcome 2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
Lending to CSN (the Swedish Board of Student Finance)	12	15	16	18	18	19
Lending to the Swedish Transport Administration	6	1	2	1	1	1
Lending to outside the government[1]	0	0	0	0	0	0
On-lending to the Riksbank	-61	2	1	1	0	1
Other lending[2]	8	-1	5	5	7	6
Total lending	**-35**	**17**	**23**	**25**	**26**	**27**
Deposits from CSN, credit reserve, etc.	-10	1	1	3	3	4
Deposits from the Resolution Reserve	6	7	7	6	6	6
Deposits from Premium pension, net[3]	8	1	1	0	0	1
Deposits from outside the government[4]	-1	-2	-1	1	2	1
Other lending[2]	-19	10	12	14	18	11
Total lending	**-15**	**17**	**20**	**23**	**29**	**22**
Net lending	**-20**	**0**	**4**	**2**	**-3**	**5**
Net lending excluding on-lending[5]	**41**	**-2**	**3**	**1**	**-3**	**3**

Note: 24:2 refers to the previous forecast.

[1] Lending to outside the government refers to lending in SEK to actors outside the realm of government agencies, such as state-owned companies.

[2] Lending and deposits to Svenska kraftnät is included in the "Other" category.

[3] Premium pension refers to the net of paid-in pension fees and disbursements of funds, as well as other administrative costs.

[4] Deposits from outside the government refer to deposits from actors outside the realm of government agencies, such as the EU account.

[5] On-lending includes the Debt Office's lending to the Riksbank as well as other non-governmental parties.

Source: The Debt Office.

Compared with the May forecast, the net lending is SEK 4 billion lower for this year and SEK 5 billion higher for next year. The revisions are above all due to lower-than-expected outcomes. The revisions for next year are primarily due to new assessments regarding Svenska kraftnät's congestion revenue.

Facts

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. When net lending increases, the budget balance becomes weaker. This means that the net borrowing requirement increases.

The net lending is not financed by appropriations and does not come under the so-called expenditure ceiling. It consists of the change in all lending and depositing in the central government's internal bank at the Debt Office.

The net lending pertains to areas within the central government's continual operations, such as student loans, deposits in the premium pension system, and lending to infrastructure investments, as well as items such as on-lending to non-governmental parties. As these items may be decided at short notice, the net lending can vary significantly from year to year.

Slightly lowered forecast for interest payments

Compared with this year, the central government's interest payments are expected to increase in 2025 and then decrease in 2026. The forecast for interest payments is revised down slightly in light of lower market interest rates.

The Debt Office now expects interest payments of just over SEK 21 billion this year and SEK 30 billion next year (see table 10 and figure 10). The increase between years is mainly due to the Debt Office paying out inflation compensation for an inflation-linked bond maturing in 2025. This year, there is no inflation-linked bond redemption. In 2026, interest payments decrease to SEK 24 billion, despite an inflation-linked bond redemption then as well. This is mostly because interest payments for the Debt Office's net lending are expected to be less than in the previous year.

Table 10 Interest on central government debt

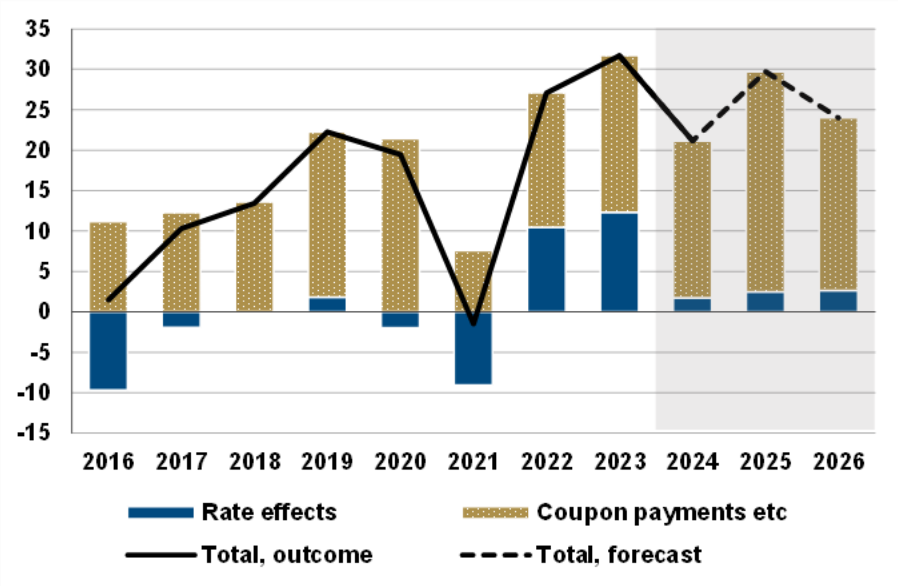
SEK billion

Interest on central government debt	Outcome 2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
Interest on loans in SEK	21	19	20	28	29	23
Interest on loans in foreign currency	2	3	3	1	1	0
Realised currency gains and losses	8	0	-1	1	0	1
Sum of interest on government debt	**32**	**21**	**22**	**30**	**31**	**24**

Note: 24:2 refers to the previous forecast.
Source: The Debt Office.

Figure 10 Interest payments 2016–2026

SEK billion



Source: The Debt Office.

Interest payments are revised down by SEK 2 billion in total, despite higher borrowing in this forecast. The fact that interest payments are nevertheless assessed to be lower is mainly due to interest rates now being lower in the forecast period. The Debt Office uses implicit forward interest rates in calculating the central government's interest payments. The calculation was made using yield curves from 31 October 2024. For the calculation of exchange rate effects, we used cut-off rates from the same date.

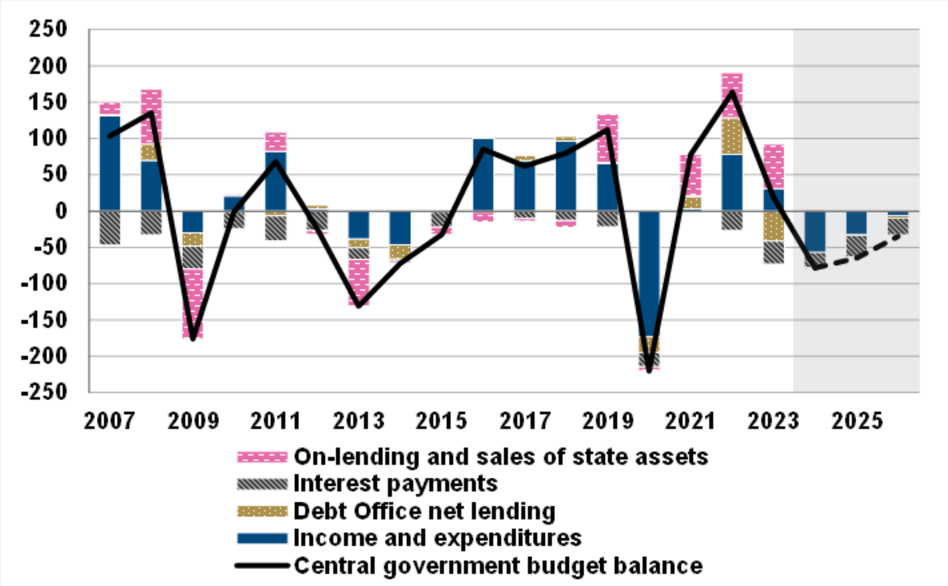
In-depth

What drives budget balance fluctuations?

Periodically since the 2000s, the fluctuations in the central government budget balance have been large, particularly in connection with economic crises. What drives these fluctuations has changed over time. For example, there were different factors driving the major fluctuations in the budget balance during the financial crisis in 2009 and the pandemic in 2020 (see figure 11). In the Debt Office's new forecast, the budget balance is expected to go from a surplus to a deficit in the current year. The driving factors behind the forecast are described in the report.

Figure 11 Components' effects on progression of budget balance

SEK billion



Note: On-lending includes the Debt Office's lending to the Riksbank as well as other non-governmental parties. Sale refers to the sale of government property.

Source: The Debt Office.

Primary income and expenditure usually drive budget balance

The largest recurring impact on the progression of the budget balance since 2007 is from the central government's primary income and expenditure. These tend to vary in correlation with the business cycle, which largely follows from the effects of automatic stabilisers in the Swedish economy. In a recession, income from taxes tends to diminish, while unemployment-related expenditure, for instance, tends to increase (see figure 12).

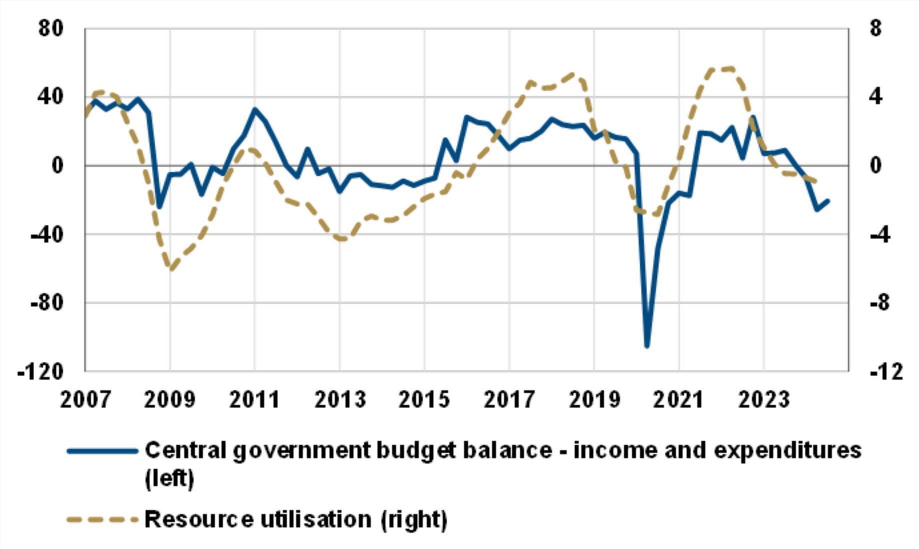
Temporary factors have played a role in recent years

Even more temporary factors may, however, have a major impact on the budget balance's progression. During the financial crisis of 2009, the Debt Office's on-lending to the Riksbank connected to the foreign currency reserve was the factor with the largest effect on the budget balance's progression. In the 2016–2019 period, the central government's income from taxes was unusually high as a result of households and businesses increasing their capital placements in tax accounts. In the 2021–2023 period, changes to the budget balance were largely driven by the Riksbank's repayments of foreign-currency loans, as well as large flows linked to Svenska kraftnät as a result of the elevated electricity prices during the same period. Incoming and outgoing payments in connection with electricity prices fall under the item "Debt Office net lending" in figure 11.

Temporary factors may also play an important role for the budget balance in periods ahead – but the turnaround from a surplus to deficit in the Debt Office's new forecast is mostly driven by a lower primary balance.

Figure 12 Resource utilisation in Swedish economy and central government's primary income and expenditure

SEK billion Standard deviations



Note: Data is quarterly. The values for the budget balance correspond to seasonally adjusted values at current prices. The Riksbank's indicator for resource utilisation aims to provide an aggregate picture of the trend in the real economy by measuring the extent to which the economy's productive resources are used in relation to what is sustainable in the long term. The indicator is normalised such that its aggregate value is 0 with a standard deviation of 1 for the period of 1996–2023.

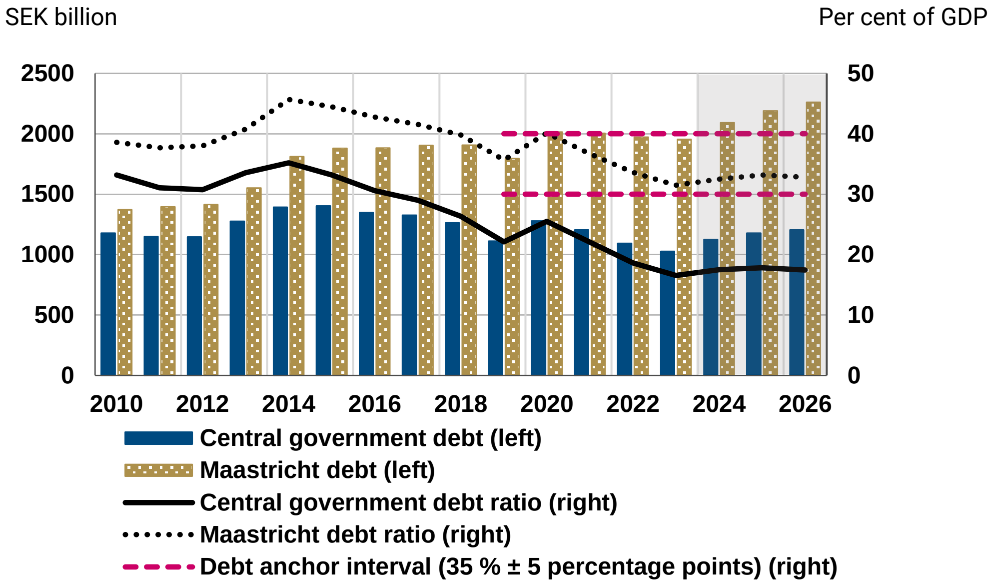
Source: The Debt Office, the Riksbank, and own calculations.

Government debt increases but debt ratio stays low

The budget deficits cause the central government debt to increase in the coming two years, and the increase for 2025 is slightly larger than we expected in May. The way in which the budget balance – which with the opposite sign becomes the net borrowing requirement – affects the size of the debt is shown in table 19 in the Appendix of Tables. At the end of 2023, the central government debt was SEK 1,028 billion, corresponding to 17 per cent of GDP, slightly higher than we stated in the previous report because the GDP outcome has been revised down. The Debt Office expects the debt to increase to SEK 1,126 billion in 2024, SEK 1,177 billion in 2025, and SEK 1,205 billion in 2026 (see figure 13 and table 19). This means that the debt will end up at 17 per cent of GDP at the end of 2026.

The Debt Office expects the general government debt, also called the Maastricht debt, to be 33 per cent of GDP throughout the forecast period. The Maastricht measure includes the consolidated debt for the public sector and is used in international comparisons and the fiscal policy framework (see the Facts section "Different measures of government debt" below). According to the debt anchor in the framework, the Maastricht debt must be 35 per cent of GDP (±5 percentage points). The Government appointed a committee at the end of last year that is assigned to review parts of the framework. The conclusion reached from the review is that a balance target should replace the current surplus target (see the In-depth section on page 34).

Figure 13 Central government debt – development over time



Sources: The Debt Office and Statistics Sweden.

Facts

Different ways to measure government debt

- **Unconsolidated central government debt**: This measure is used in the Debt Office's reporting and shows the total gross debt for the central government. It includes all loans raised by the Debt Office on behalf of the central government, irrespective of who owns the debt. The debt is reported at its nominal terminal value, according to EU principles.
- **Consolidated central government debt**: Some government agencies own government bonds and treasury bills, which are deducted from the consolidated central government debt (with the exception of the Riksbank's holdings). This 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 Swedish National Financial Management Authority is responsible for calculating this measurement.
- **The Maastricht debt**: This is the international measure used for comparison, which measures the consolidated gross debt for the general government sector including local and regional governments and the national pension system. The statistics agency Statistics Sweden publishes this measurement. According to EU regulation, the Maastricht debt must not exceed 60 per cent of GDP. In Sweden, the Riksdag has set the target for the debt – called the debt anchor – at 35 per cent of GDP.

Major temporary payments involve uncertainty

The uncertainty regarding economic developments – as described on page 15 – is of great significance for the progression of the budget balance and central government debt. Normally, tax income is mostly affected by the business cycle, whereas the central government has more direct control of expenditure. Expenditure also tends to vary less.

The budget balance is also affected by large payments of a temporary nature. This concerns payments from the EU's recovery facility, disbursements of aid to Ukraine, and the influx of congestion revenue to Svenska kraftnät. The uncertainties regarding the incoming payments from the EU facility are mainly in regard to the timing of when the payments may occur. Uncertainties in regard to aid to Ukraine and the inflow of congestion revenue exist both in terms of the size of the amounts and the timing of when the payments may occur.

In-depth

Balance target may increase government borrowing

The fiscal policy framework is intended to ensure that fiscal policy is sustainable and transparent in the long term. Strong confidence in public finances is important for the Debt Office and central government debt management, as it lays the groundwork for a high credit rating and low borrowing costs. The newly published review of the framework proposes a transition to a balance target. This may lead to increased central government borrowing, although the central government debt as a proportion of GDP is still expected to remain at a low level.

Committee proposes transition to balance target

The framework consists of four parts: budget policy targets, a disciplined central government budget process, external monitoring, and openness and clarity. The primary task of the review committee was to develop a basis for decision on one of the budget policy objectives, namely the target for public sector net lending over a business cycle. This net-lending target (called "saldomålet" in Swedish) has been one-third in per cent of GDP since 2019.

In the official report, the committee recommends a transition from the current surplus target to a balance target, which is supported by a broad majority in the Riksdag and will take effect for eight years starting in 2027. The trade-off considered in arriving at this conclusion was primarily in regard to the views on what safety margins are needed for managing a crisis or deep recession within the boundaries of the EU's fiscal policy rules, in relation to the value of the higher expenditure and/or lower taxes that a lower net-lending target enables during a longer transition period.

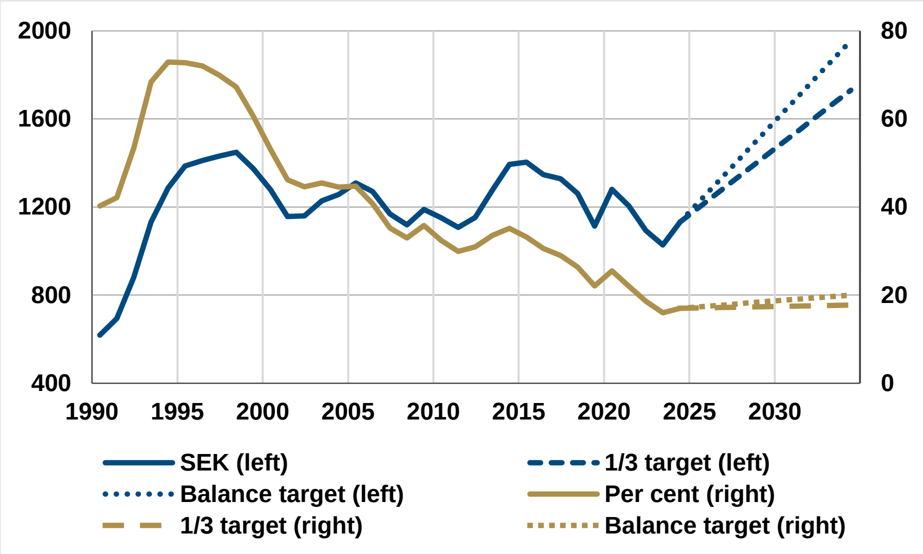
The report contains projections of how different net-lending targets affect indebtedness in the long term. According to these, an unchanged net-lending target would entail that the Maastricht debt – the consolidated general government gross debt – is approximately 33 per cent of GDP in ten years. A balance target would instead lead to a slightly higher debt in ten years, almost 36 per cent. Both of these debt levels are in line with levels of recent years and are also well within the range of the current debt anchor, which is 30–40 per cent of GDP.

Central government finances in focus for Debt Office

For the Debt Office and debt management, the central government debt is most important. The report contains projections here as well, which are based on assumptions regarding among other things the net lending and debt trends in the old-age pension system and municipal sector. The current surplus target entails a central government debt of just under 18 per cent of GDP in ten years, whereas a balance target leads to a central government debt of approximately 20 per cent (see figure 14). For these debt measures as well, the scenarios are in line with the levels of recent years.

Figure 14 Progression of central government debt, outcomes, and two projections until 2034 from the review committee's report

SEK billion | Per cent of GDP



Note: The report only provides values for 2034; the dashed lines are linear interpolations. The intended targets are in regard to public sector net lending in per cent of GDP.

Sources: NIER, the Debt Office, Statistics Sweden.

The projections contain significant uncertainty. One reason for this is the long time horizon. Another is the progression of the different sectors. For the central government, it is the way in which the other sectors – the old-age pension system and the municipal sector – progress that determines what the budget balance and thereby the central government debt will be in the long term. The central government budget becomes a corrective mechanism for ensuring that the net-lending target for the general government sector is reached. There is further uncertainty in regard to the connection between net lending and debt in the respective sectors. The debt is namely affected by more than net lending, and the difference is periodically large. For the Maastricht debt, it has been around 5–10 percentage points of GDP for each eight-year period since 2000.

Levels of central government debt in line with the review committee's projections for both a surplus- and balance target are, on the whole, close to the central government debt-ratio levels of recent years. If the future trend were to be in line with the scenarios, the most prominent change would be that the debt measured in kronor would increase distinctly, after the slightly declining trend of the last decades. Uncertainty in regard to the central government debt's progression is nothing new. Rather, it is intrinsic to the conditions that the Debt Office must take into account in planning central government borrowing and debt management.

Increased government bond supply

The Debt Office will issue a larger volume of nominal government bonds in 2025 than previously planned. This is mainly due to an increased borrowing requirement but also because we are prioritising nominal government bonds over inflation-linked bonds. We are reducing both the issuance volume and number of auctions for inflation-linked bonds while simultaneously transitioning to single-price auctions.

The new forecast of the budget balance, along with the need to refinance our redemptions, entails an increase in the borrowing requirement compared with the previous forecast. We expect a total borrowing requirement of SEK 326 billion for 2024, SEK 407 billion for 2025, and SEK 467 billion for 2026. Figure 15 shows the trend for the total borrowing requirement and its components, both between years and in relation to the previous forecast. Table 11 and figure 16 show how the borrowing requirement is financed.

Table 11 Funding plan

SEK billion

Funding plan	Outcome 2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
T-bills	123	110	98	158	158	175
Liquidity management	97	114	118	122	121	164
Sum of money market funding	**220**	**224**	**216**	**280**	**278**	**339**
Nominal government bonds	45	72	73	100	80	100
Inflation-linked bonds	9	9	9	6	9	6
Foreign currency bonds	0	21	21	21	22	21
Sum of bond funding	**53**	**102**	**102**	**127**	**110**	**127**
Total gross borrowing	**273**	**326**	**318**	**407**	**389**	**467**

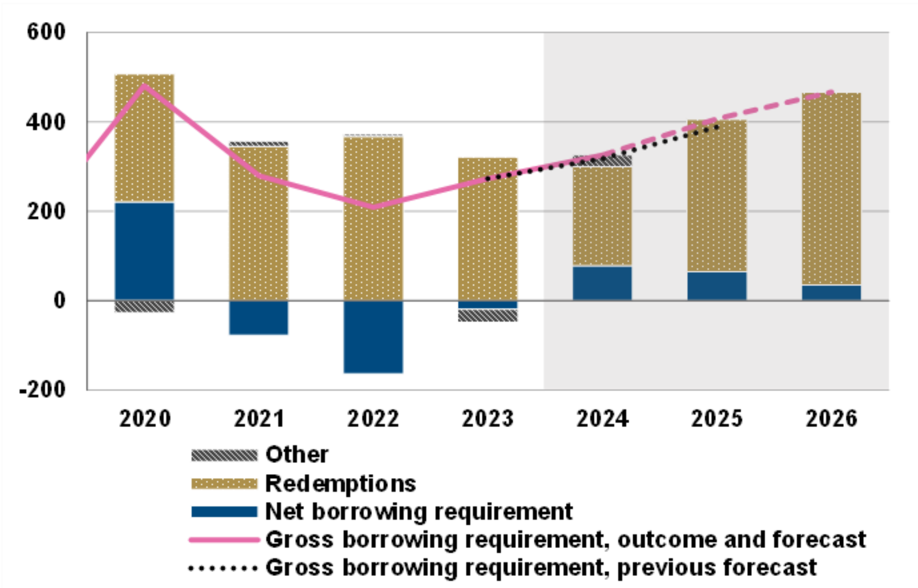
Note: Money market funding corresponds to stock outstanding at the end of December. 24:2 refers to the previous forecast.

Source: The Debt Office.

As of January 2025, the Debt Office will increase the issuance volume of nominal government bonds more than we announced in May. This is due to the borrowing requirement increasing and that we are reducing inflation-linked bond borrowing in favour of nominal government bonds. The latter is a result of new guidelines for central government debt management, which stipulate reducing the outstanding volume of inflation-linked bonds. The borrowing in foreign currency is unchanged from the previous plan, and we expect to issue a bond in foreign currency in 2026 as well.

Figure 15 Total gross borrowing requirement

SEK billion

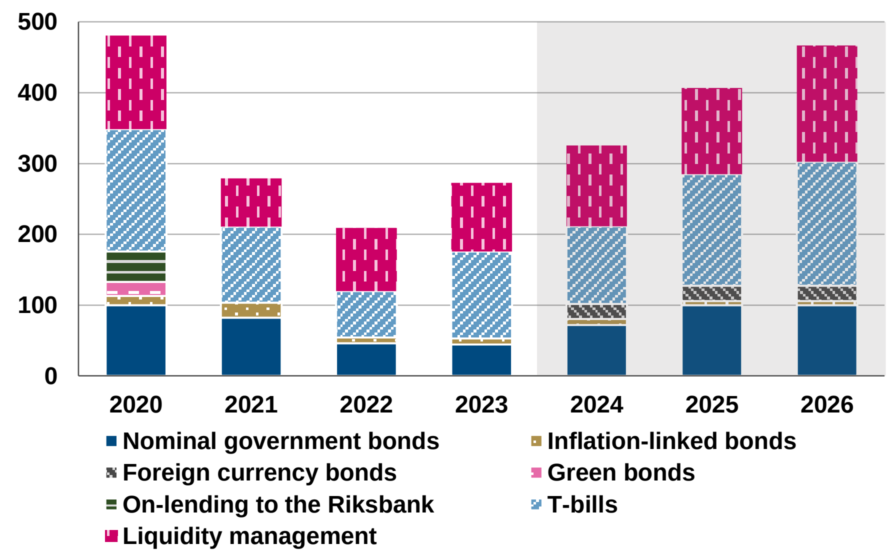


Note: The net borrowing requirement is the budget balance with the opposite sign. The post "Other" includes an adjustment due to the net borrowing requirement being reported by settlement date whereas borrowing is reported by trade date. Previous forecast refers to central government borrowing report 2024:2.

Source: The Debt Office.

Figure 16 Borrowing by instrument

SEK billion



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

Source: The Debt Office.

Facts

Reduced inflation-linked debt and new measure of term to maturity in guidelines

In accordance with the Debt Office's proposal, the Government has adopted certain changes to the guidelines for managing the central government debt. The most significant of these is for reducing the proportion of the debt that consists of inflation-linked bonds. The Debt Office will also change the way it measures the term to maturity of the central government debt. The updated guidelines will apply as of 1 January 2025.

Continued issuance but reduced volume

According to the new guidelines, the outstanding volume of inflation-linked bonds is to be reduced from SEK 177 billion to approximately SEK 80 billion by the end of 2029. The primary reason for reducing the inflation-linked debt is that the current proportion of 20 per cent neither contributes to lower cost nor risk. The reduction will occur through redemptions. At the same time, the Debt Office will nevertheless continue to issue a smaller volume of inflation-linked bonds and carry out switches. We are retaining inflation-linked bonds as a smaller portion of the central government debt, among other things to have access to an additional borrowing channel if a greater need for borrowing arises in the future. Also, inflation-linked bonds could offer expected cost savings in periods ahead.

The Debt Office is thus retaining inflation-linked bonds as a type of debt, but the issuance volume is being reduced. Accordingly, nominal government bonds will have an even more distinct status as the Debt Office's largest and most important long-term funding source. It is with these that we foresee the best prospects of minimising borrowing cost over time.

Better measure of maturity for Debt Office's purposes

In accordance with the new guidelines, the Debt Office will also transition from using duration to measure the term to maturity of the debt to using average time to refixing (ATR) instead. Like duration, ATR is a measure of interest-rate refixing risk – but it is not affected by the undesirable steering signals that may arise with changes in market interest rates. The steering interval remains at 3.5–6 years measured as ATR.

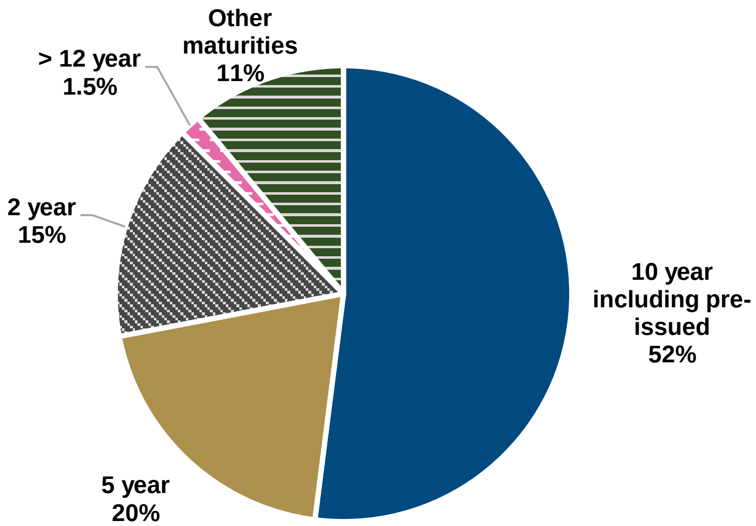
Greater issuance of nominal government bonds

The Debt Office is raising the issuance volume of nominal government bonds from SEK 4 billion to SEK 5 billion per auction as of January 2025. That entails an annual issuance volume of SEK 100 billion in both 2025 and 2026. We are also planning to introduce a new ten-year bond in June 2025 and one in the autumn of 2026 and as previously aim for them to mature approximately 18 months apart.

The Debt Office will carry out the majority of the auctions in the ten-year segment and in the two-year and five-year reference bonds (see table 12). This is in line with the strategy of borrowing in a transparent and predictable manner with a focus on building up nominal government bonds as reference bonds. Figure 17 shows how the total issuance volume in 2025 is distributed. We are adapting the distribution among maturities to the size of the borrowing requirement. The larger the borrowing requirement is, the smaller the proportion in the ten-year maturity segment will be. The reverse is also true. When the borrowing requirement decreases, we distribute less of the borrowing among the five- and ten-year maturity segments. For more information on the volumes that we plan to issue in different maturity segments in the auctions until the next report, see table 2 in the summary or table 22 in the section with market information.

Figure 17 Distribution of government-bond supply in auctions in 2025

Per cent



Note: The figure illustrates how the overall volume in the Debt Office's auctions in 2025 is divided into different maturity segments. The "Other" category includes bonds that were previously ten-year reference bonds and are not yet included in the five- or ten-year segments.

Source: The Debt Office.

Table 12 Reference bonds

Date of change	2-year	5-year	10-year
Current	1059	1061	1066
18 Jun 2025	1060	1062	-

Note: 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 IMM (International Money Market) dates: the third Wednesday in March, June, September, and December. The date of change of reference bonds refers to the settlement date.

Source: The Debt Office.

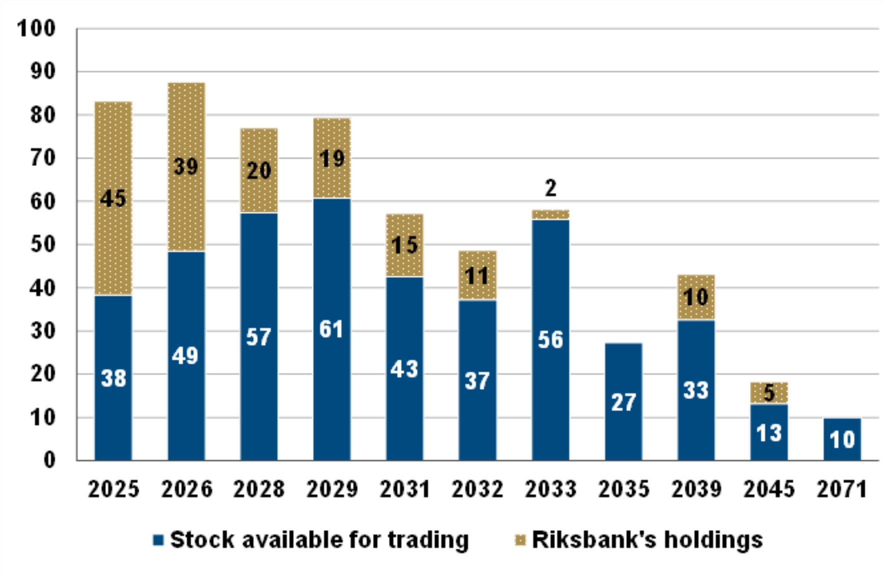
Table 13 Important events

Date	Time (a.m.)	Activity
31 Jan	9:30	Terms for switches to SGB IL 3116
20 Feb	11:00	Introduction of SGB IL 3116
21–24 Feb	11:00	Switches to SGB IL 3116
28 Feb	9:30	Terms for switches to SGB IL 3116
21–24 Mar	11:00	Switches to SGB IL 3116
25 Apr	9:30	Terms for switches to SGB IL 3116
16 May	11:00	Switches to SGB IL 3116
22 May	9:30	Borrowing forecast 2025:1
22 May	9:30	Terms for switches to SGB 1067
4 Jun	11:00	Introduction of SGB 1067
11 Jun	11:00	Follow-up auction of SGB 1067
12–16 Jun	11:00	Switches to SGB 1067

Source: The Debt Office.

Figure 18 Stock outstanding of nominal government bonds and Riksbank's holdings

SEK billion



Note: Volume outstanding as of 31 October 2024 expressed in nominal amount for each bond with year of maturity according to the x-axis. The Riksbank's holdings are recorded in accordance with the Debt Office's trade-date reporting of the central government debt.

Sources: The Debt Office and the Riksbank.

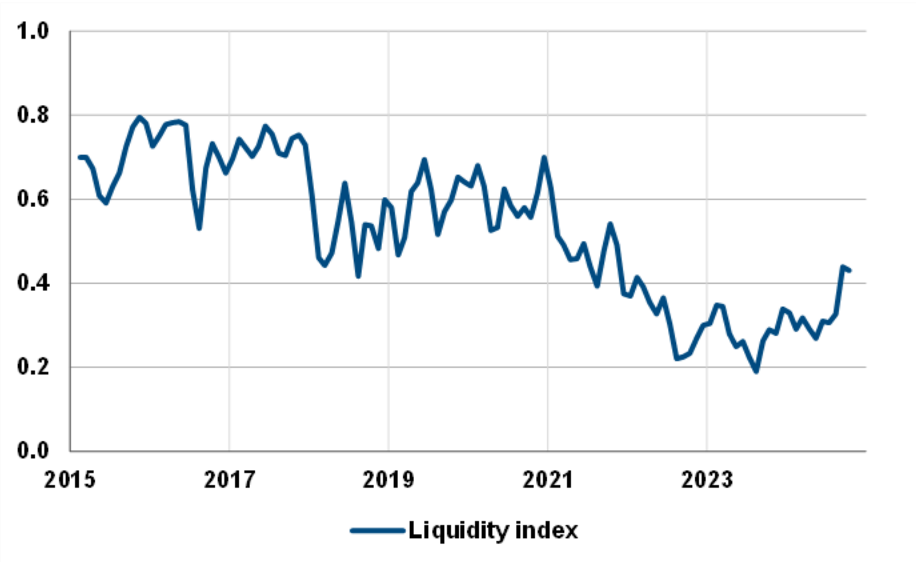
The Riksbank currently owns approximately 30 per cent of the nominal government bonds. Figure 18 shows the bonds outstanding and the Riksbank's holding of each bond distributed by year of maturity. In April 2023, the Riksbank began selling both nominal and inflation-linked government bonds, and they are now being sold at a total rate of SEK 6.5 billion per month. The sales cause the volume available for trading to increase – which, according to market participants, helps improve the functioning of the bond market.[1]

In November 2024, the Riksbank decided that the sales will cease when the remaining holdings of nominal government bonds amounts to SEK 20 billion in total.[2] The decision means that the Riksbank is expected to stop selling the bonds at the end of 2025.

In 2024, liquidity has clearly improved in the secondary market, especially for nominal government bonds. After both surveys and quantitative measures long showed increasingly worse liquidity for government securities, signs of a turnaround already began to appear last spring. In the Riksbank's most recent Financial Markets Survey, for example, market participants expressed a distinct improvement since the autumn of 2023. Finansinspektionen (the Swedish Financial Supervisory Authority) uses a quantitative measure that weighs together a number of indicators to form an aggregate measure of market liquidity. This measurement also shows that liquidity in the secondary market for nominal government bonds has improved, above all during the autumn of 2024 (see figure 19).

Figure 19 Measure of liquidity

Index



Note: Finansinspektionen's liquidity index is an aggregation of various individual indicators for nominal government bonds with benchmark status. Higher values correspond to higher liquidity. The figure shows a two-month moving average of the index.

Source: Finansinspektionen.

[1] For more information, see for example the Riksbank's Financial Markets Survey, November 2024.

[2] This excludes Government bond 1059 and the Green government bond.

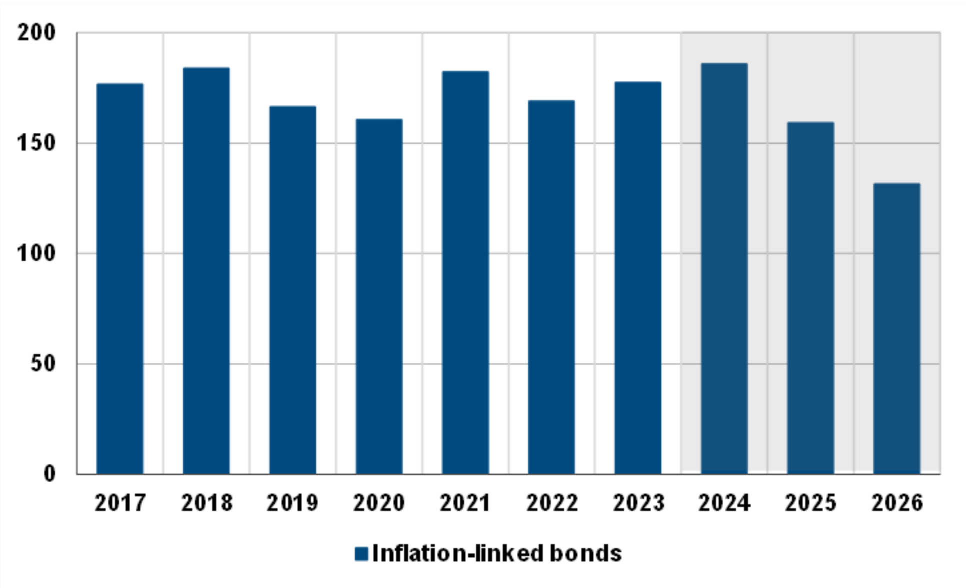
Less volume of inflation-linked bonds and new auction format

According to the new guidelines for central government debt management, the outstanding volume of inflation-linked bonds is to be reduced until 2029 (see the Facts section "Reduced inflation-linked debt and new measure of term to maturity in guidelines"). The Debt Office will continue to issue inflation-linked bonds in the regularly held auctions, but the issuance volume will decrease from SEK 8.5 billion to SEK 6 billion as of 2025 (see figure 20). With the new plan, it is our assessment that we will, in an appropriate manner, attain an outstanding volume close to the target of approximately SEK 80 billion in 2029. In the coming years, we will continue to evaluate our progress towards the target and adjust the issuance volume as well as offer switches as necessary.

On 20 February 2025, the Debt Office will introduce a new inflation-linked bond, SGB 3116, maturing on 1 June 2036. After the introduction and until May, we will be offering three occasions for switches in order to build up the volume of the new bond.

Figure 20 Outstanding volume of inflation-linked bonds

SEK billion



Note: Volume outstanding in nominal terms at year-end.

Source: The Debt Office.

Another change that will occur in January 2025 is that the Debt Office will begin to use single-price auctions for inflation-linked bonds instead of multiple-price auctions. With the new auction format, the risk of bidders receiving allocation at a yield level that significantly deviates from other participants' bids decreases (see the In-depth section on auction formats below). The change may thereby contribute to higher participation in auctions and bids that better reflect participants' valuation of inflation-linked bonds.

In-depth

Choice of auction format depends on conditions

The choice of auction format for the issuance of government securities is an important factor in the operational management of central government debt. This choice is most often between multiple-price and single-price auctions. Which auction format is the most cost-effective over time depends on, among other things, how well market pricing works for the government securities being issued.

The main distinguishing factor between the two auction formats is how the allotment is conducted. In multiple-price auctions – which the Debt Office currently uses – bidders receive allotment based on their bid rates in the auction. The bid with the lowest yield is accepted first, followed by the bid with the next-lowest yield and so forth until the desired volume is reached. The bidders thereby purchase the government security at different yields in the auction. In single-price auctions, the allotment is instead conducted by the highest accepted yield, even if one or several bidders have placed bids at lower rates. This means that all bidders get to purchase the security at the same yield.

Factors that determine which auction format is most suitable

A factor addressed in the academic literature on the choice of auction format is what is called *winner's curse*. This is the risk of a bidder in a multiple-price auction placing a bid that significantly deviates from other bids and from the price in the secondary market. If the yield on a winning bid is significantly lower, it implies a loss for the bidder. This risk is relatively low for liquid markets where there is reliable pricing to use as a basis.

For less liquid markets with greater pricing uncertainty, the risk of a bidder placing a bid that deviates from the general pricing increases. This may make bidders less inclined to participate in auctions, or make them increase their bid rates in order to manage the risk. In such circumstances, single-priced auctions may be preferable, as they reduce the risk of *winner's curse* and thus provide incentive for bidders to participate more and place bids that better reflect their valuation of the bonds.

Different auction formats for nominal vs. inflation-linked bonds

Both theory and empirical evidence indicate that uncertainty regarding pricing affects which auction format is the most suitable (see Debt Office Commentary 4 2024). The Debt Office has therefore decided to switch to single-price auctions for inflation-linked bonds as of 1 January 2025 but continue to use multiple-price auctions for nominal government bonds and treasury bills. The hope is that this move will help lessen the impact of uncertain pricing and thereby pave the way for increased participation in inflation-linked bond auctions.

Foreign currency bonds in 2025 and 2026

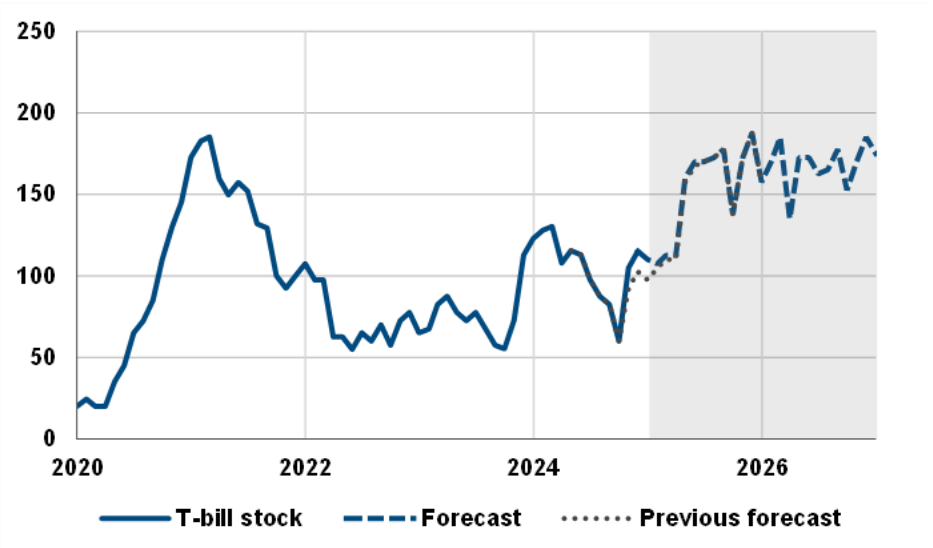
In January, the Debt Office issued a two-year bond in US dollars corresponding to SEK 21 billion. As a result of the increased borrowing requirement, we also plan to issue foreign currency bonds next year and in 2026, corresponding to SEK 21 billion each. The foreign currency borrowing does not involve currency exposure in the central government debt, because we always hedge the bonds.

Slight increase in outstanding volume of T-bills

Compared with the previous plan, we now expect the stock of treasury bills to be somewhat higher at the end of 2024, but the plan is unchanged for the end of 2025. The outstanding stock varies over the period but gradually increases as a whole throughout it – from SEK 110 billion at the end of 2024 to SEK 158 billion next year and SEK 175 billion in 2026 (see figure 21).

Figure 21 Stock of treasury bills

SEK billion



Source: The Debt Office.

The Debt Office issues a new 12-month treasury bill every three months maturing on an IMM date (the third Wednesday in March, June, September, and December). In the other months, we introduce a new three-month bill. For more information about auction dates and which treasury bills we will be introducing, see table 25 under “Market information” at the end of the report.

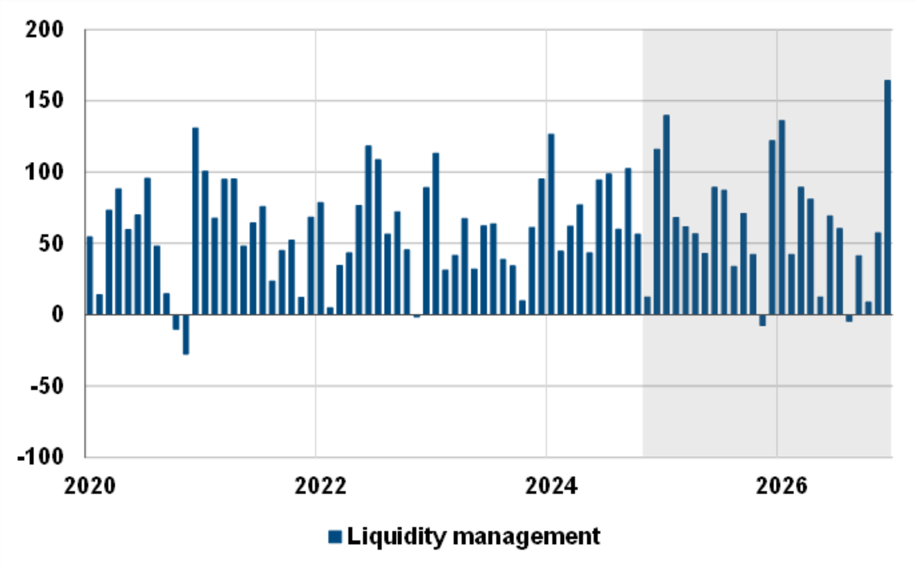
The planned volume in the individual auctions varies within the range of SEK 7.5 billion to SEK 20 billion. The Debt Office plans the volumes in the individual auctions of treasury bills on the basis of seasonal patterns in the central government’s payments, and maturities. We can make further adjustments ahead of each auction if necessary, depending on how the payments develop. This means that decisions we make one week prior to an auction may ultimately differ from the planned volumes in the auction schedule.

Within the liquidity management operations, the Debt Office finances the borrowing requirement that remains after the planned issues of treasury bills and bonds. This includes issuing T-bills on a discretionary basis (tap issues), and commercial paper in foreign currency. In this forecast, the volume of liquidity management instruments at the end of the year remains essentially unchanged since the last forecast.

There are large variations within liquidity management, both between months and individual days. The amounts borrowed as part of liquidity management are continually adjusted to how the budget balance and the regular borrowing develop (see figure 22).

Figure 22 Liquidity management

SEK billion



Note: Nominal amount at current exchange rate including assets under management. Positive amounts indicate borrowing requirement, negative amounts indicate cash surplus.

Source: The Debt Office.

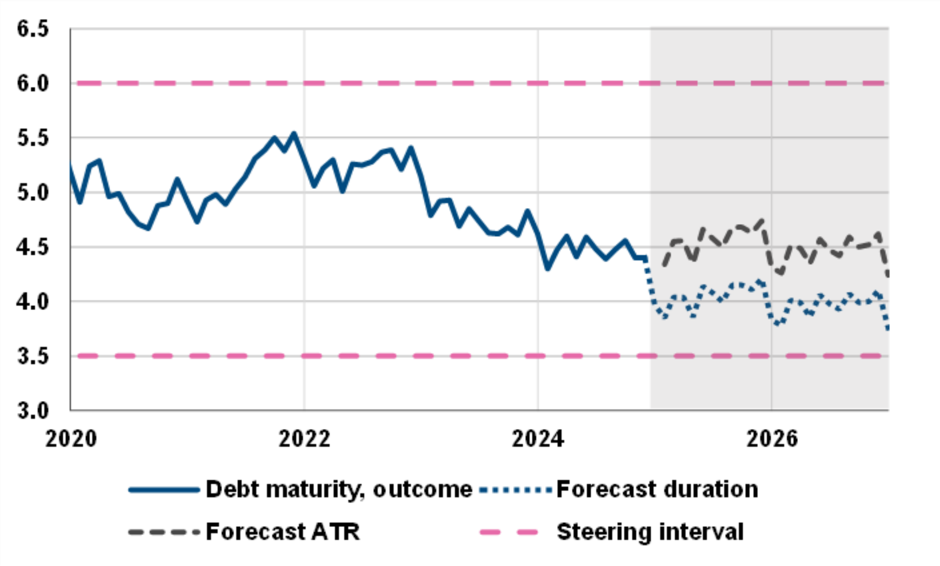
Effects on debt’s term to maturity and distribution

The planned term to maturity of the central government debt, measured as duration, falls within the lower part of the steering interval (see figure 23). This is mainly because the proportion of short-term borrowing remains relatively large. Since the bond borrowing will increase in periods ahead, the term to maturity does not, however, decrease further.

In accordance with the new guidelines for central government debt management, in January the Debt Office will switch from measuring term to maturity as duration to average time to refixing (ATR) instead. The steering interval remains at 3.5–6 years (see the Facts section “Reduced inflation-linked debt and new measure of term to maturity in guidelines”). The development with the new measure is also presented in figure 23. The sharp increase in interest rates in 2022 caused duration to decrease. Since ATR is a measure of maturity that is not affected by movements in market interest rates, it is higher in the steering interval.

Figure 23 Term to maturity of central government debt

Years

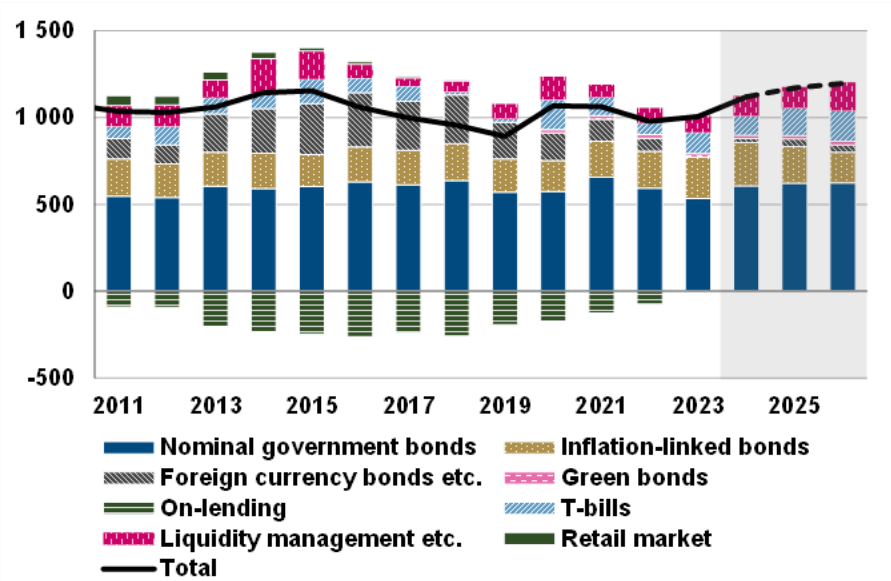


Note: The term to maturity is measured with Macaulay duration and as of January 2025 there is also a forecast for the average time to refixing (ATR). The forecast shows the last day of each month, whereas outcomes are shown as the monthly mean. The pink lines represent the steering interval for term to maturity in the Government's guidelines.

Source: The Debt Office.

Figure 24 Central government debt by instrument

SEK billion



Note: The central government debt including on-lending and assets under management. The amount refers to stock outstanding at year-end. The stock of treasury bills and liquidity management varies over the years due to changes in the budget balance and is especially large at the end of the year because the central government regularly runs large deficits in December.

Source: The Debt Office.

With the plan we are now implementing, the distribution of various debt instruments in the central government debt will develop as shown in figure 24. Nominal government bonds continue to be the base and are the Debt Office's largest and most important funding source. The progression of the inflation-linked debt is presented in the section on inflation-linked bonds.

In-depth

Long-term strategies guide borrowing

The Debt Office strives to conduct borrowing in a predictable and clear manner by planning it on the basis of stated strategies and forecasts for central government finances. The strategies are characterised by the principle of working for good conditions for borrowing at a low cost over time, as opposed to seeking the least expensive funding at the moment. The objective is to minimise the cost of the central government debt over the long term while taking account of risk.

When we develop a plan for borrowing, we have certain given conditions to work with. The money that the Debt Office borrows is, as a rule, not earmarked for specific expenditure items but is instead for covering the central government's comprehensive borrowing requirements. This includes financing the budget balance and refinancing maturing loans in the central government debt. We are not allowed to borrow more than needed to meet the forecast borrowing requirement. This means that we are only able to have temporary surpluses within the liquidity management operations.

Several instruments but nominal government bonds form base

The Debt Office issues bonds in the capital market (with a maturity of over one year) and treasury bills and other short-term instruments in the money market (up to one year), both in Swedish kronor and foreign currency. We distribute the borrowing over different securities and maturities on the basis of several factors:

- how the borrowing requirement develops in the short-term and long-term
- how we take account of risks and the targets for the term to maturity and composition of the central government debt (even if we also may adjust the exposure with derivatives)
- the need of being able to manage both expected short-term fluctuations in the borrowing requirement and unexpected budget-balance outcomes
- our strategic prioritisation of government securities in kronor and certain maturities
- the need to maintain several borrowing channels for preparedness.

The long-term borrowing meets the central government's long-term borrowing needs, which among other things are dictated by the fiscal policy framework and fluctuations in the business cycle. It also contributes to extending the central government debt's term to maturity and mitigating the refinancing risk. The short-term borrowing is used to manage both expected short-term fluctuations in the central government's payments as well as unexpected budget-balance outcomes.

In the long-term borrowing, we prioritise nominal government bonds, because we see the best conditions for cost-minimisation over time in this market. In addition, we use inflation-linked bonds and foreign currency bonds to reach more investors and strengthen our borrowing preparedness.

Regularly held auctions are supplemented by syndication

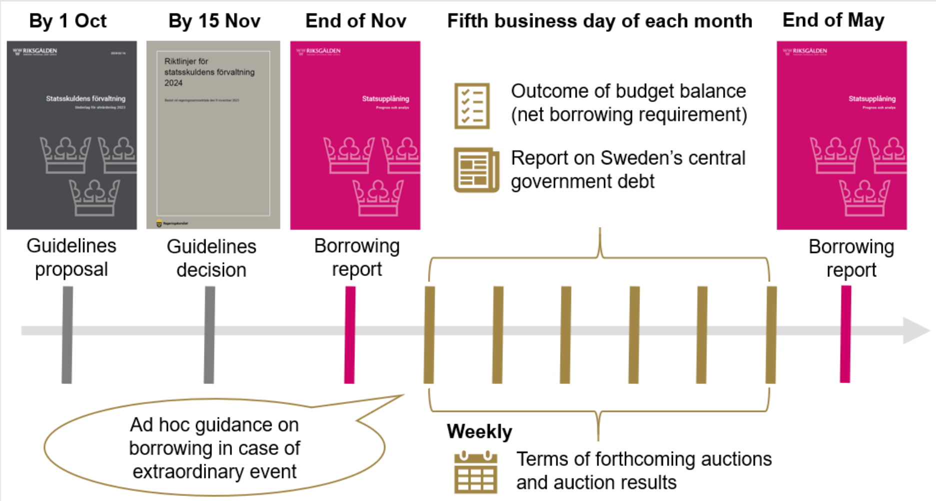
The Debt Office issues domestic government securities in regularly held auctions in which investors can place bids via our primary dealers. Selling smaller volumes on many occasions reduces the risk of borrowing large amounts at times when market conditions are unfavourable. Investors are at the same time offered continual access to Swedish government securities through these regular auctions. We also strive to borrow in a way that promotes a well-functioning secondary market.

The Debt Office can also issue large volumes on separate occasions by syndication. This is where a group of banks (a syndicate) is assigned to sell the bonds. We use syndication mainly for foreign currency bonds, but we can also issue bonds in kronor in this way in order to rapidly build up the volume of the loan in question.

Open communication on borrowing according to clear structure

The Debt Office updates and communicates the plan for borrowing twice a year, and in between these reports we present the monthly outcomes of the budget balance and the central government debt. We also communicate terms before each auction and the results directly afterwards. The graphic below shows the structure of the Debt Office's continual communication, which also includes annual proposals and decisions on guidelines for debt management.

Structure for communication about central government borrowing



Note: The annual timeline for communication contains the Debt Office's proposed guidelines for debt management, the Government's guidelines decision, and the Debt Office's two borrowing reports. Between reports, we present the monthly outcome of the budget balance and the debt. We also publish terms for and results of the regular auctions. In the event of extraordinary circumstances, the Debt Office may provide guidance between the reports.

Source: The Debt Office.

Appendix of Tables

Table 14 International forecasts

Percent change

GDP	2023	Forecast 2024	24:2 2024	Forecast 2025	24:2 2025	Forecast 2026
Euro area	0.5	0.7	0.5	1.4	1.7	1.9
USA	2.9	2.6	2.2	1.7	1.7	1.9

Note: 24:2 refers to the previous forecast. Forecasts are from NIER.

Source: The National Institute of Economic Research (NIER).

Table 15 Central government net lending

SEK billion

Central government net lending	2023	Forecast 2024	Forecast 2025	Forecast 2026
Budget balance	19	-78	-65	-35
Sales of limited companies	0	0	0	0
Parts of Debt Office's net lending	-26	18	13	16
Other	0	-7	-32	-16
Sum delimitations	-27	11	-19	0
Taxes	17	17	31	-6
Interest payments etc.	-7	0	22	13
Sum accruals	10	17	53	7
Central government net lending	3	-50	-31	-28
Per cent of GDP	0,0	-0,8	-0,5	-0,4

Source: The Debt Office.

Table 16 Budget balance forecast per month

SEK billion

Month	Primary balance	Net lending	Interest on government debt	Budget balance
November 24	20.7	6.7	-2.8	24.7
December 24	-47.8	-56.6	-3.8	-108.1
January 25	-31.7	0.7	-0.3	-31.3
February 25	61.6	0.5	-1.2	60.9
March 25	-5.5	4.5	-3.6	-4.6
April 24	-34.2	5.2	1.3	-27.7
May 25	61.9	-1.4	-4.2	56.4
June 25	-38.0	8.0	-14.3	-44.3
July 25	-9.7	8.2	1.3	-0.2
August 25	30.3	7.8	-0.4	37.7

Month	Primary balance	Net lending	Interest on government debt	Budget balance
September 25	-12.6	6.4	-2.8	-9.0
October 25	-24.0	5.9	1.2	-17.0

Source: The Debt Office.

Table 17 Budget balance changes between years, effect on budget balance

SEK billion

Changes between years, effect on budget balance	2023	Forecast 2024	Forecast 2025	Forecast 2026
Budget balance, level	**19**	**-78**	**-65**	**-35**
Change from previous year	**-145**	**-90**	**14**	**30**
Income from taxes	-6	53	41	76
Grants to local governments	0	-16	1	-1
Labour market	2	-4	-2	0
Social insurance	-3	-19	0	-2
Defence	-12	-11	-19	-9
EU-fee	-8	9	-8	-1
Education	5	-3	-15	-4
Legal system	-9	-5	-7	-5
State share dividends	-26	0	2	1
Other	11	-94	31	-27
Sum primary balance	**-47**	**-88**	**24**	**27**
Debt Office's net lending	**-93**	**-20**	**-2**	**-3**
Interest on government debt	**-5**	**11**	**-9**	**6**

Source: The Debt Office.

Table 18 Forecast comparison

SEK billion

Forecast	Budget balance	Sale of state assets	Adjusted budget balance
Debt Office: 2024	-78	0	-78
Debt Office: 2025	-65	0	-65
Debt Office: 2026	-35	0	-35
Government: 2024	-93	5	-88
Government: 2025	-55	5	-50
Government: 2026	-52	5	-47
NIER: 2024	-97	1	-96
NIER: 2025	-52	0	-52
ESV: 2024	-131	1	-130
ESV: 2025	-96	0	-96
ESV: 2026	-60	0	-60

Note: Publication date is for the Debt Office 2024-11-28, the Government 2024-09-19, NIER 2024-09-26, ESV 2024-11-19.

Source: The Debt Office, Government, NIER, and ESV.

Table 19 From net borrowing requirement to central government debt

SEK billion

From net borrowing requirement to central government debt	Outcome 2023	Forecast 2024	Forecast 2025	Forecast 2026
Net borrowing requirement (budget balance with opposite sign)	**-19**	**78**	**65**	**35**
Business day adjustment etc.*	**-25**	**28**	**-1**	**0**
Net borrowing per business day	**-44**	**106**	**64**	**35**
A. Net amount including money market assets	**952**	**1,058**	**1,122**	**1,157**
Inflation compensation	59	65	53	45
Exchange rate effects	-2	1	1	0
B. Net amount to current exchange rate incl. inflation compensation	**1,009**	**1,124**	**1,175**	**1,203**
Assets under management	19	2	2	2
C. Central government debt	**1,028**	**1,126**	**1,177**	**1,205**
Assets under management	-19	-2	-2	-2
On-lending	-3	-5	-5	-5
D. Central government debt incl. on-lending and assets under management	**1,006**	**1,119**	**1,170**	**1,197**
Nominal GDP	6,207	6,435	6,600	6,891
C. Central government debt, % of GDP	17	18	18	17
D. Central government debt incl. on-lending and money market assets, percentage share of GDP	16	17	18	17

*A difference occurs as borrowing is reported by business date and net borrowing requirement by settlement date.
Source: The Debt Office.

Table 20 Total gross borrowing requirement

SEK billion

Total borrowing requirement, gross	Outcome 2023	Forecast 2024	Forecast 2025	Forecast 2026
Net borrowing requirement (budget balance with opposite sign)	**-19**	**78**	**65**	**35**
Trade date adjustment etc.[1]	**-25**	**28**	**-1**	**0**
Retail funding & collateral, net[2]	**-5**	**-2**	**2**	**0**
Treasury bills	65	123	110	158
Liquidity management instruments	89	97	114	122
Sum of money market redemptions[3]	**154**	**220**	**224**	**280**
Nominal government bonds	103	1	85	97
Inflation-linked bonds	0	0	33	34
Green bonds	0	0	0	0
Foreign currency bonds[4]	64	0	0	21
Sum of bond redemptions, net switches and buy-backs	**167**	**1**	**117**	**152**
Total gross borrowing requirement	**273**	**326**	**407**	**467**

[1]A difference occurs as borrowing is reported by business date and net borrowing requirement 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. Liquidity management includes Commercial paper.
[4]Calculated with the original issuance exchange rate.
Source: The Debt Office.

Table 21 Net borrowing requirement and net borrowing

SEK billion

Net borrowing requirement and net borrowing	**Outcome 2023**	**Forecast 2024**	**Forecast 2025**	**Forecast 2026**
Net borrowing requirement (budget balance with opposite sign)	-19	78	65	35
Business day adjustment etc.*	-25	28	-1	0
Total	**-44**	**106**	**64**	**35**
Retail funding & collateral, net	**5**	**2**	**-2**	**0**
T-bills	58	-13	48	18
Commercial paper	53	-53	0	0
Liquidity management	-46	71	8	42
Sum of net money market funding	**65**	**4**	**56**	**60**
Nominal government bonds	-59	71	15	3
Inflation-linked bonds	9	9	-27	-28
Green bonds	0	0	0	0
Foreign currency bonds	-64	21	21	0
Sum of net bond market funding	**-114**	**100**	**10**	**-24**
Total net borrowing	**-44**	**106**	**64**	**35**

*A difference occurs as borrowing is reported by business date and net borrowing requirement by settlement date

Source: The Debt Office.

Market information

Table 22 Planned issue volume of nominal government bonds over the next six months

SEK billion

Maturity category	Nominal government bond	29 November 2024–22 May 2025
10-year	SGB 1066 2.25% 11 May 35	19.5
5-year	SGB 1061 0.75% 12 Nov 29	11.0
2-year	SGB 1059 1.0% 12 Nov 26	8.75
> 12-year	SGB 1053 3.5% 30 Mar 39	1.0
> 12-year	SGB 1064 1.375% 23 Jun 71	0.25
Other maturities	*See note*	7.5
Total supply	**-**	**48.0**

Note: The category of "Other maturities" includes bonds that were previously 10-year reference bonds and are not yet included in the 5- or 2-year categories. The indicated volumes apply assuming that the auctions are fully allocated. The Debt Office will not compensate if any auction is cut, but will continue to issue according to the plan.

Source: The Debt Office.

Table 23 Nominal government bonds, auction dates

Announcement date	Auction date	Settlement date
27-Nov-24	04-Dec-24	06-Dec-24
11-Dec-24	18-Dec-24	20-Dec-24
08-Jan-25	15-Jan-25	17-Jan-25
22-Jan-25	29-Jan-25	31-Jan-25
05-Feb-25	12-Feb-25	14-Feb-25
05-Mar-25	12-Mar-25	14-Mar-25
19-Mar-25	26-Mar-25	28-Mar-25
02-Apr-25	09-Apr-25	11-Apr-25
30-Apr-25	07-May-25	09-May-25
14-May-25	21-May-25	23-May-25
28-May-25	04-Jun-25	09-Jun-25
04-Jun-25	11-Jun-25	13-Jun-25
22-May-25	12-Jun-25*	16-Jun-25
22-May-25	13-Jun-25*	17-Jun-25
22-May-25	16-Jun-25*	18-Jun-25

* Exchange auction

Table 24 Inflation-linked government bonds, auction dates

Announcement date	Auction date	Settlement date
21-Nov-24	28-Nov-24	02-Dec-24
05-Dec-24	12-Dec-24	16-Dec-24
13-Feb-25	20-Feb-25	24-Feb-25
31-Jan-25	21-Feb-25*	25-Feb-25

Announcement date	Auction date	Settlement date
31-Jan-25	24-Feb-25*	26-Feb-25
13-Mar-25	20-Mar-25	24-Mar-25
28-Feb-25	21-Mar-25*	25-Mar-25
28-Feb-25	24-Mar-25*	26-Mar-25
08-May-25	15-May-25	19-May-25
25-Apr-25	16-May-25*	20-May-25
05-Jun-25	12-Jun-25	16-Jun-25

* Exchange auction

Table 25 T-bills, auction dates

Announcement date	Auction date	Settlement date	Due date
04-Dec-24	11-Dec-24	13-Dec-24	17-Dec-25
30-Dec-24	08-Jan-25	10-Jan-25	16-Apr-25
15-Jan-25	22-Jan-25	24-Jan-25	-
29-Jan-25	05-Feb-25	07-Feb-25	21-May-25
12-Feb-25	19-Feb-25	21-Feb-25	-
26-Feb-25	05-Mar-25	07-Mar-25	18-Mar-26
12-Mar-25	19-Mar-25	21-Mar-25	-
26-Mar-25	02-Apr-25	04-Apr-25	16-Jul-25
09-Apr-25	16-Apr-25	22-Apr-25	-
22-Apr-25	29-Apr-25	02-May-25	20-Aug-25
07-May-25	14-May-25	16-May-25	-
20-May-25	27-May-25	30-May-25	-
11-Jun-25	18-Jun-25	23-Jun-25	17-Jun-26
18-Jun-25	25-Jun-25	27-Jun-25	-
25-Jun-25	02-Jul-25	04-Jul-25	15-Oct-25

Note: The Debt Office introduces a new 12-month bill every three months maturing on an IMM date: the third Wednesday in March, June, September, and December. In the other months, a new three-month bill will be introduced. The Due date column indicates the maturity date for the new bill. In addition to the new bill introduced, the National Debt Office may also sell another bill with a different maturity date.

The Swedish National Debt Office is the central government financial manager and the national resolution and deposit insurance authority. The Debt Office thus plays an important role in the Swedish economy as well as in the financial market.

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