

DANMARKS NATIONALBANK

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STRATEGY ANNOUNCEMENT

Central government borrowing strategy 2021



Target for bond issuance at kr. 125 billion

The target for sales of domestic government bonds in 2021 is kr. 125 billion. This is unchanged from 2020.



Focus on 2-year and 10-year bonds

The focus will be on issuance in the 2-year and 10-year nominal bonds. On 20 January, a new 10-year bond with maturity in 2031 will be opened. A new 2-year bond with maturity in 2024 will be opened in the 1st half of the year.



Short-term issuances will be reduced

The target for sales of domestic T-bills is kr. 60 billion in 2021. This contributes to continued flexibility in the issuance policy. The outstanding amount of commercial papers will be reduced in 2021 as the temporary Covid-19 measures are phased out.

Target for issuance of government bonds is kr. 125 billion in 2021

The central government's borrowing requirement in 2021 is expected to be kr. 247 billion, mainly stemming from redemptions on the short-term issuances built up in 2020 to finance temporary Covid-19 measures, cf. Table 1. The target for sales of government bonds in 2021 is kr. 125 billion at market value. The remainder of the borrowing requirement will be covered via T-bills and by drawing on the central government's account, cf. Table 1.

Broad list of on-the-run issues with focus on 2-year and 10-year bonds

The central government offers a broad list of on-the-run issues in 2021, cf. Table 2. Issuance will continue to be concentrated in the 2-year and 10-year nominal maturity segments, which will be built to levels of liquid benchmark series. In addition, the central government may also issue in the 5-year and 30-year nominal bonds, and in the 10-year inflation-linked bond, cf. Table 2.

Following the opening of the new 2-year bond, 0.5 per cent 2027 will replace 1.75 2025 as the 5-year on-the-run issue.

New 10-year bond to be opened on 20 January

A new 10-year bond with a coupon rate of zero and maturity on 15 November 2031 will be opened on 20 January, cf. Table 2. This reflects the fact that the time to maturity of the existing 10-year benchmark series, 0.5 per cent 2029, will be too short and that it has been built up to a substantial size.

New 2-year bond to be opened during 1st half of 2021

A new 2-year bond maturing 15 November 2024 will be opened in the first half of 2021, cf. Table 2. This reflects the fact that the time to maturity for the existing 2-year on-the-run issue, 0.25 per cent 2022, will be too short and that it has been built up to a substantial size.

Green bonds

In the past year, Danmarks Nationalbank and the Ministry of Finance have been investigating the possible issuance of green bonds. This process is still ongoing.

Target for sales of T-bills is kr. 60 billion in 2021

In 2021, the target is an outstanding amount of kr. 60 billion in T-bills by year-end. Two monthly T-bill

Borrowing requirement and financing 2021

Table 1

	Kr. billion
Borrowing requirement	
Net financing requirement	12
Social housing	19
Redemption bonds, etc.	62
Redemption T-bills	85
Redemption commercial papers	70
Borrowing requirement	247
Strategy for financing	
Sale of government bonds	125
Sale of T-bills	60
Government account	62
Financing	247

Note: Redemption bonds, etc. includes redemptions and buy-backs of government bonds maturing after 2021, payments from the central government in currency swaps and net purchases of government funds. Details may not add because of rounding.

On-the-run issues in 2021

Table 2

Maturity segment	
Maturity < 1 year	T-bills
2-year nominal	0.25% 2022/X% 2024
5-year nominal	1.75% 2025/0.5% 2027
10-year nominal	0.5% 2029/0% 2031
30-year nominal	0.25% 2052
10-year inflation-linked	0.1% 2030i

auctions will be held in 2021. New 12-month T-bills will be opened at the auctions with the first banking day as value date in March, June, September and December. The programme will thus continue to consist of four T-bills expiring within the next 12 months. This contributes to continued flexibility in the issuance policy.

Outstanding amount of commercial papers will be reduced

The outstanding amount of commercial papers will be reduced in 2021 as the deferred tax and VAT are paid and the government loans extended to Danish firms in connection with the disbursement of holiday money are repaid.

Switch operations

The central government will hold two switch operations per month in 2021. In these operations,

investors can switch off-the-run issues to on-the-run issues. Calendar dates will be announced in line with auctions in T-bills and government bonds. Papers will be announced no later than one trading day before the switch takes place. Switch operations make it possible to increase the outstanding volume in the bonds faster and supports the liquidity in the government bond market.

Buy-backs

Buy-back may take place in government bonds via auctions or tap. Buy-back auctions of 3 per cent 2021 will be held at the end of each month.

Robust debt profile maintained in 2021

The robust central government debt profile will be maintained. The target band for the average duration in 2021 is set at 9.5 ± 0.5 year, calculated without discounting.

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Working Paper presents research projects by economists in Danmarks Nationalbank and their associates. The series is primarily targeted at professionals and people with an interest for academia. Working Paper is published continuously.

The analysis consists of a Danish and an English version. In case of doubt regarding the correctness of the translation the Danish version is considered to be binding.

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BANKING AND MARKETS