

DANMARKS NATIONALBANK

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STRATEGY ANNOUNCEMENT

Central government borrowing strategy 2023



Government bond issuance target of kr. 65 billion

The government bond issuance target is set at kr. 65 billion in 2023. The focus will primarily be on issuances in the 2-year and 10-year nominal maturity segments.



Opening of 10-year nominal and green bond

In February 2023, a new 10-year nominal bond will be opened. In the second half of the year, a new 10-year green bond will also be opened.



Annual issuance in the EMTN programme

In 2023, the central government expects to issue a foreign currency bond under the EMTN programme. Going forward, the strategy is that the central government will make an annual bond issuance in foreign currency.

The Danish economy enters 2023 from a strong position. Sound public finances, a balance of payments surplus and a strong labour market help ensure that Denmark has a robust economy that can withstand a potential slowdown in growth. Surpluses on the central government finances after 2020 have reduced central government debt, and the debt remains among the lowest in Europe. The sound public finances and low debt have contributed to Denmark maintaining the highest credit rating (AAA) with a stable outlook.

The central government's financing need for 2023 is not known, as a Finance Act has not yet been adopted. In addition, there is still not clarity about the utilisation rate of the extension scheme for energy costs for households and companies as well as the state guarantee schemes for energy companies.

Despite uncertainty about the central government's financing requirement, the central government borrowing strategy for 2023 is resilient to potential fluctuations. Changes in the central government's financing requirement will thus be countered by reducing or increasing the balance of the central government's account.

The government bond issuance target is kr. 65 billion

The government bond issuance target is set at kr. 65 billion at market value in 2023. The target has, among other things, been set to support liquidity in the Danish government securities market, including that the bond series can be built up to liquid benchmark series. Just as in previous years, the objective is to have an even issuance distribution over the year.

In 2023, the focus will continue to be on issuances in the 2-year and 10-year nominal bonds, supplemented by sales of a new green bond and the inflation-linked bond. The central government can also make limited issuances in the 30-year nominal bond in 2023.

Opening of new 10-year nominal bond in February

At the auction on 8 February 2023, a new 10-year nominal government bond will be opened with maturity on 15 November 2033. The bond matures

The central government's on-the-run issues in 2023

Table 1

Segment	On-the-run issues
Maturity < 1 year	T-bills
2-year nominal	0.00 per cent 2024/ 1.75 per cent 2025
10-year nominal	0.00 per cent 2031/ X per cent 2033
10-year green nominal	X per cent 2033G
30-year nominal	0.25 per cent 2052
Inflation-linked	0.10 per cent 2034i

on 15 November 2033 and will replace 0.00 per cent 2031 as a 10-year on-the-run issue, see table 1.

Opening of new green bond

In the second half of 2023, a new 10-year green government bond will be opened with maturity on 15 November 2033. The bond is expected to be opened via syndication, and the total sales of green bonds will amount to maximum kr. 10 billion at market value.

The green bond will be issued as a twin bond, and the bond will thus have the same financial characteristics as the coming 10-year nominal bond maturing in 2033. The bond will be issued in accordance with the central government's Green Bond Framework (*link*), and it will be ensured at any given time that the proceeds from sales of the green bond do not exceed the total amount of eligible green expenses (*link*).¹

There will be no further issuance of the central government's green bond maturing in 2031, and the bond will thus not be included in the on-the-run issues in 2023, see table 1.

Change of 2-year benchmark bond

On 1 April, the 1.75 per cent 2025 bond will replace the 0.00 per cent 2024 bond as a 2-year bond in the on-the-run issues.

¹ The forecast for eligible green expenses in 2023 will be updated at the beginning of the year.

A new 2-year bond will not be opened in 2023. Instead, the opening of a new 2-year bond maturing in 2026 is expected to be postponed until 2024. Thus, the remaining term to maturity will reflect the 2-year maturity segment to a greater extent.

Continued build-up of the inflation-linked bond maturing in 2034

The central government's inflation-linked bond 0.1 per cent 2034i will be offered regularly at auctions and switch operations between the new inflation-linked bond and the central government's existing inflation-linked bonds.

The strategy remains that the outstanding volume in the central government's inflation-linked bonds is built up to kr. 40-60 billion with the opening of a new inflation-linked bond every four years. Therefore, the outstanding volume of the inflation-linked bond maturing in 2034 is expected to be built up gradually to at least kr. 20 billion.

Switch auctions

In 2023, the central government will hold one or two switch auctions per month. In these auctions, investors can switch off-the-run issues to on-the-run issues. Switches are not included in the issuance target, but they contribute to the build-up of the primary on-the-run issues. The switch auctions help ensure a liquid and well-functioning government bond market.

In 2023, the time for holding the central government's switch auctions will be moved, so that the deadline for submitting bids is 10.15 am instead of 10.30 am. The bonds offered at the switch auction will still be announced no later than one trading day before the auction date.

Buy-backs

The central government may make tap buy-backs of central government securities on an ongoing basis. The buy-backs are used to even out the central gov-

ernment's repayment profile and to support a liquid and well-functioning government bond market.

From January 2023, buy-back auctions of bonds maturing in the current year will no longer be held due to limited interest at the auctions. Just as in previous years, the central government will continue to be able to make ongoing buy-backs of bonds maturing within the year in the secondary market.

Issuance of bonds in foreign currency

In 2023, the central government expects to issue a government bond with short maturity in foreign currency under the central government's EMTN programme.

It is important that the central government has the opportunity to access the deep and liquid international debt markets at any given time if need be. A prerequisite for this is that the central government has a regular presence in these markets. This ensures that the investors continue to have active investment mandates for securities issued by the Danish state and that all stages of the issuance process function satisfactorily. Against this background, the strategy is that, in future, the central government will make annual issuances in either euro or dollar under the EMTN programme.

The target for the outstanding volume in the central government's short-term loan programmes is kr. 35 billion

The target is to have a total outstanding volume of kr. 35 billion in the central government's short-term loan programmes, T-bills and commercial papers (CP) at the end of 2023. Most of it will be in T-bills.

As a general rule, two monthly auctions of T-bills will be held, see the auction calendar ([link](#)). New 6-month T-bills will be opened at the auctions with the first banking day in March, June, September and December 2023, respectively, as the value date.

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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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