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DANISH GOVERNMENT BORROWING AND DEBT 2014

Today, Danmarks Nationalbank publishes Danish Government Borrowing and Debt 2014. The publication describes the central government's borrowing and debt in 2014 and the borrowing strategy for 2015.

At the end of 2014, the Danish central government debt amounted to kr. 458 billion, which is lower than the previous year. The level corresponds to 24 per cent of GDP or approximately kr. 81,000 per capita. This is low in an international context, which supports the government's highest possible rating (AAA/Aaa) from the largest international credit rating agencies.

The interest costs on the central-government debt totalled kr. 16 billion, corresponding to 0.8 per cent of GDP in 2014. This is a decline on 2013, which can be attributed to both the debt reduction and lower refinancing costs. Declining government yields, especially for the longer maturity segments, implied that Danish government bonds were issued at a historically low average yield to maturity of 1.1 per cent in 2014.

Demand for Danish government securities was solid in 2014. The central government issued domestic bonds for kr. 103 billion with bids averaging more than twice the volume sold at the auctions. Most of the issuance took place in the long maturity segments, especially in the 10-year nominal segment, which resulted in an average time to maturity of more than 9 years.

A financing requirement of kr. 135 billion is estimated for 2015. The strategy at the beginning of 2015 implied a gradual reduction of the recent years' prefunding. On 30 January 2015 the Ministry of Finance decided, upon the recommendation of Danmarks Nationalbank, to sus-

pend the issuance of government bonds. Given the currency situation, it was no longer appropriate to reduce the issuance of government bonds over several years. The purpose of suspending the issuance of government bonds was to reduce the interest-rate spreads in the longer maturity segments and thereby limit the inflow of foreign exchange. A new strategy for sales of government bonds will be announced when a decision to resume issuance is made. The balance on the central government's account at Danmarks Nationalbank is more than sufficient to cover the financing requirement in 2015.

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