



KOMMUNINVEST
LOCAL GOVERNMENT
BORROWING 2013

Contents

Foreword.....	3
Introduction	4
Section 1	
The sector's investments	5
The municipalities' investments	6
The county councils' investments.....	7
Level of self-financing	7
Assets	7
Section 2	
Local government borrowing.....	8
Change in local government borrowing.....	9
Section 3	
Funding of local government borrowing.....	11
Section 4	
Forecast until 2015	13
Appendix	14

Foreword

Kommuninvest¹ is the largest lender to the Swedish local government sector. This report *Local Government Borrowing – 2013* is a result of Kommuninvest's continuous follow-up of how the local government's total borrowing debt develops over time. The report differs from other analyses of local government debt, partly in that it analyses borrowing debt in isolation from other debts and contingent liabilities, and in part in that the analysis is made from a Group perspective, i.e. including local government operations conducted through companies. By including companies, which often conduct capital-intensive operations, such as housing and energy supply, the relation between the sector's investments and borrowing debt is clarified.

In a Europe undergoing an economic crisis, it is not only the national governments that experience difficulties in balancing revenues and expenditure. In many countries, the local government sector is also struggling with weak finances and increased debt. Sweden is an exception.

In an international comparison, the Swedish local government sector stands out favourably (*see Fact box 1*), with large surpluses², increasing investment volumes, a high level of self-financing and higher asset values. The increasing investment volumes of recent years have affected the need for external funding, resulting in higher debt in absolute terms. In 2012, the local government sector's total borrowing rose by SEK 25.7 billion, in real terms, to SEK 443.3 billion. As a proportion of GDP, however, the local government sector's borrowing debt is relatively constant over time – between 11 and 13 percent (*see Fact box 6*).

Kommuninvest's analysis of investments and borrowing debt in the local government sector shows, among other things, that:

- Larger municipalities and county councils generally have higher investment volumes per inhabitant than their smaller equivalents.
- The sector's increased borrowing debt is largely driven by new borrowing by a few large players.
- Small and medium-sized municipalities outside the major urban regions are those within the sector who are most inclined to amortise their borrowing debt.

The Swedish local government sector is in an investment-intensive phase. The municipalities' and county councils' investment budgets indicate that the total investment volume will continue to increase over the next few years. It is Kommuninvest's assessment that the nominal rate of increase for the sector's borrowing debt will be 6 percent annually up until 2015.

1) The Kommuninvest Group comprises the owner organisation, the Kommuninvest Cooperative Society and its wholly-owned credit market company, Kommuninvest i Sverige AB ("Kommuninvest"), including the subsidiary Kommuninvest Fastighets AB.

2) In 2012 the reported surplus for the entire local government sector, including companies owned by the municipalities and county councils, amounted to SEK 30.6 billion.

Introduction

In this report *Local Government Borrowing – 2013*, Kommuninvest describes how the local government's investments and borrowing debt have developed since 2007. The main purpose of the report is to provide an overview of the local government sector's total borrowing as per 31 December 2012 and to identify trends in the development of the debt over time.

The analysis is based on a Group perspective, meaning that loans to companies owned by the municipalities and county councils are also included in the calculations. This is a key prerequisite to obtaining as fair a portrayal as possible of the sector's combined borrowing. To a great extent, Swedish municipalities and county councils fund their core operations through their own revenues and they generally have little or no borrowing debt. In most cases, borrowing debt recognised on local government authorities' balance sheets is further mediated to be used in other parts of the local government Group. This means that the great majority of the sector's borrowing debt has primarily been used to fund investments made by companies owned by the municipalities and county councils.

The report comprises four sections. Section 1 deals with the local government sector's investments, Section 2 focuses on borrowing and Section 3 details how the local government sector is funded. The fourth and concluding section deals with the local government sector's future financing needs.

The calculations in the report are based on Kommuninvest's annual follow-up of the annual reports of all Swedish municipalities and county councils. To facilitate comparisons between different years, time series and calculations are based on the value of money in 2012, unless otherwise stated.

Fact box 1

International outlook

In the wake of the financial crisis in Europe and the burst housing bubble in the US, many local government authorities, federal states and regions on both sides of the Atlantic have been struggling with budget deficits, high debt levels, economic imbalances and substantial difficulties in meeting their commitments.

In the spring of 2013, the City of Stockton, California was declared bankrupt by a federal court. A few months later, the automotive city of Detroit in the state of Michigan, sought bankruptcy protection. A major portion of Detroit's debt burden of USD 18 billion consists of pension and health insurance commitments to current and former employees.

In Germany, many local government authorities struggled with weak finances in 2010 and 2011. During these years, the combined deficit in the German local government sector amounted to slightly less than EUR 12 billion. In the German state of Hessen, the state administration has had to inject EUR 3.2 billion to support municipalities no longer able to service their debts and in Spain, municipalities and regions have been forced to seek assistance from the Spanish central government in coping with their financial commitments.

Unlike the situation in large parts of Europe, the public sector in the Nordic region is characterised by stable finances. The local government sectors in Denmark, Finland, Norway and Sweden all generated surpluses in 2012.

Sources: The Economist, Fitchratings, Financial Times, Statistics Denmark, Statistics Finland, Statistics Sweden, Statistics Norway

Section 1

The sector's investments

The local government sector is Sweden's largest financier and producer of welfare services and is responsible for several basic public functions:

- The municipalities' compulsory operations encompass library services, environmental and health protection, sanitation and waste, water and sewerage, public transport³ and planning and building matters. However, the dominant areas in the municipalities' operations are education, i.e. pre-schools, primary schools, special needs schools and secondary schools, as well as care, e.g. care of the elderly and support for the disabled.
- The county councils' assignments encompass medical and health care, and dental care for children and young people.

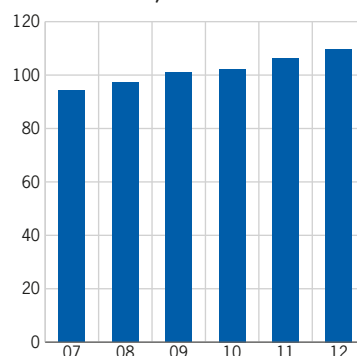
In addition to their compulsory tasks, many municipalities are actively involved in leisure and cultural operations, energy supply, housing construction and development of local business and industry, while the county councils may also be responsible for cultural matters, regional development and tourism.

Within capital-intensive areas, such as housing and energy supply, property management and public transport, operations are generally conducted in the form of public liability companies. According to the report "Creditworthiness of the local government sector", issued by the Swedish Association of Local Authorities and Regions (SALAR) and Kommuninvest, there are more than 1,600 companies owned by local government authorities in Sweden, with a total of some 50,000 employees.

To be able to meet the current and future welfare service needs of a growing population, actors in the local government sector invest continuously in areas including infrastructure, housing, public transport, service and operations premises. Over the period 2007 to 2012, investments in tangible fixed assets in the local government sector grew by SEK 15.6 billion, from SEK 94.2 billion in 2007 to SEK 109.8 billion in 2012 (see Diagram 1), corresponding to an average annual growth rate of slightly more than 3 percent.

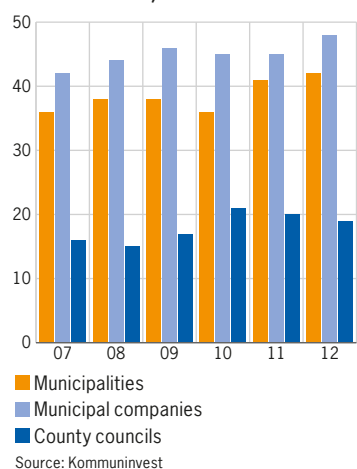
In absolute terms, the municipalities accounted for the greatest increase (see Diagram 2). The municipalities invested SEK 6.4 billion more in 2012 than in 2007, an increase of 18 percent. Municipal companies and county council corporations also increased their investments on an annual basis; by SEK 5.9 and SEK 3.2 billion respectively, corresponding to an increase of 14 percent and 20 percent respectively over the period.

Diagram 1
Local government sector's investments, SEK bn



Source: Kommuninvest

Diagram 2
Local government sector's investments distributed by sub-sectors, SEK bn



Source: Kommuninvest

3) Public transport is a compulsory operation that may be coordinated between municipalities and county councils.

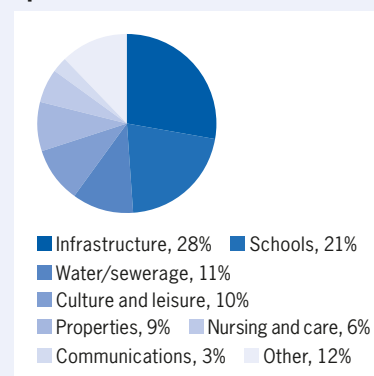
The municipalities' investments

Investment needs differ between the municipalities. In general, larger municipalities (more than 50,000 inhabitants) have higher financial results per inhabitant, higher population growth and relatively larger municipal companies than small (less than 20,000 inhabitants) and medium-sized municipalities (between 20,000 and 50,000 inhabitants). This both enables and requires a relatively higher rate of investment, both for these municipalities and their companies. In somewhat simpler terms: the more inhabitants a municipality has, the more it can and must invest per inhabitant. The positive relation between the size of a municipality and the pace of its investments is strongest at the corporation level, with larger municipalities investing, on average, SEK 5,500 and SEK 3,000 more per inhabitant than smaller and medium-sized municipalities respectively (see Diagram 3).

The relation between the size of a municipality and its level of investment also applies when investments are analysed at the municipal level. An increase in population of 1,000 inhabitants results in an average increased investment volume of SEK 214 per inhabitant for a municipality in the category of smaller municipalities, and of SEK 141 and SEK 27 for the categories of medium-sized and larger municipalities respectively.⁴

Fact box 2

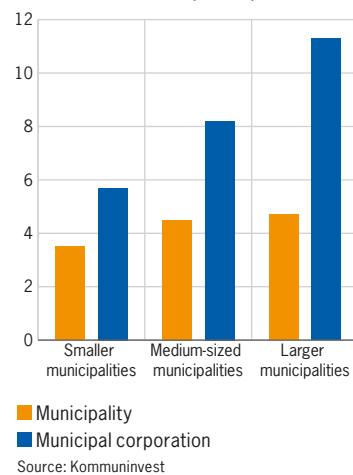
What are the investments spent on?



According to a survey of the local government sector's investment plans, investments in infrastructure and schools accounted for almost half of the planned investments.

Source: SALAR "The economy report – April 2012"

Diagram 3
Investment volume per inhabitant 2012, SEK, thousands



4) The relation between the level of investment per inhabitant in a municipal corporation and the number of inhabitants in municipalities has been studied using regression analysis. The analysis has taken SALAR's categorisation of the municipalities into account. The analysis excludes Stockholm, Gothenburg and Malmö due to the considerable difference in population between these municipalities and others.

The county councils' investments

Over the period 2007 to 2012, the county councils⁵ annual investments rose from SEK 16.1 billion to SEK 19.3 billion. There is also a relation between the number of inhabitants and the level of investment per inhabitant at the county council level.⁶

Level of self-financing

The level of self-financing⁷ measures the proportion of a particular year's investments that can be financed with an authority's own funds. Between 2007 and 2012, the level of self-financing in the local government sector varied between 65 and 102 percent (see Diagram 4). The low level of self-financing in 2011, 65 percent, can largely be explained by the negative impact on results that arose from the upward adjustment of the local government sector's pension liabilities, combined with decreased sales of tangible fixed assets. There is a slightly decreasing long-term trend in self-financing in the sector.

Assets

The local government sector's investments have not only made it possible for municipalities and county councils to be able to continue producing welfare services; they have also resulted in increasing asset values. The sector's tangible fixed assets in the form of, for example, vehicles, machinery, properties (schools, hospitals, offices and industrial premises), land, homes and energy production facilities amounted to SEK 1,035 billion in 2012, an increase of SEK 151 billion in real terms compared with 2007. Furthermore, investments in local government operations active in markets exposed to competition, including housing, property and energy companies, and that are consequently operated on commercial terms, with associated return requirements, also generate surplus results in the sector.

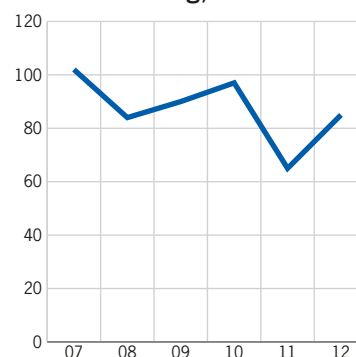
Fact box 3

Stockholm County

Stockholm County has 2.1 million inhabitants, or 22 percent of Sweden's population. Of everyone in employment in Sweden, 25 percent work within Stockholm County; 30 percent of Sweden's GDP is produced in the county and each day, the population increases by an average of 100 people. The Stockholm Chamber of Commerce estimates that the population of the county will have risen to 2.6 million by 2030. To be able to meet the needs of 500,000 additional inhabitants, extensive investments in infrastructure, public transport, health care, day care, schools and new homes will be needed over the next 20 years. Even today, Stockholm County accounts for a third of the local government sector's total investments and, over the next five years, the City of Stockholm and Stockholm County Council alone plan to invest about SEK 15 billion each per year.

Sources: Statistics Sweden, Stockholm Chamber of Commerce, City of Stockholm 2013 budget: "A budget for a growing Stockholm county".

Diagram 4
Local government sector's level of self-financing, %



Source: Kommuninvest

Fact box 4

Value of assets

According to Statistics Sweden, the local government sector's tangible fixed assets amounted to SEK 1,035 billion in 2012. The ratio between borrowing debt and tangible fixed assets, that is, the local government sector's degree of indebtedness was 0.43, compared with 0.41 in 2007. The actual degree of indebtedness is probably lower since assets are recognised at book value and not actual market value, resulting in the asset side being undervalued at the local government sector level.

5) Also includes investments by companies owned by county councils.

6) The correlation coefficient between the number of inhabitants per county council region and the level of investment per inhabitant was 0.69 in 2012, indicating a positive correlation. The correlation coefficient is calculated as a value between -1 and 1. The value -1 indicates a maximally negative correlation and 1 a maximally positive correlation, while 0 indicates no correlation.

7) Level of self-financing = (result + amortization and depreciation)/(investments for the year - divestments for the year).

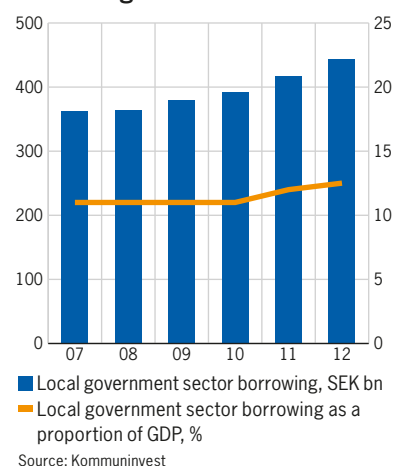
Section 2

Local government borrowing

Since the “balanced budget requirement”⁸ prevents Swedish municipalities and county councils from financing their on-going operations with borrowed funds, the local government sector’s borrowing debt is a consequence of some investments having been financed with external funds. The scope of borrowing debt should therefore be considered in relation to the assets that the borrowing has helped finance (see *Fact box 4*).

The local government sector’s borrowing amounted to SEK 443.3 billion at the end of 2012. Most of the sector’s borrowing, 94 percent, was accounted for by the municipalities and their companies. The county councils’⁹ share of the total borrowing was only 6 percent or SEK 27.0 billion. Debt for the entire sector rose by SEK 25.7 billion in 2012 compared with the preceding year, and by SEK 80.1 billion since 2007 (see *Diagram 5*). This means that borrowing rose by an average of 4 percent annually between 2007 and 2012. Towards the end of the period, in 2011 and 2012, the increase was 7 percent and 6 percent respectively (see *Diagram 10*). Borrowing corresponded to 13 percent of GDP in 2012, with average borrowing per inhabitant of SEK 46,400. This can be compared with the Swedish central government debt, which at the same time amounted to SEK 1,152 billion,¹⁰ equivalent to 31 percent of GDP, or SEK 120,500 per inhabitant.

Diagram 5
Local government sector borrowing



Fact box 5

Pension liabilities

The local government sector’s pension liabilities consist of the municipalities’ and county councils’ pension commitments to current and former employees. According to SALAR’s calculations, the present value of future pension payments amounts to approximately SEK 500 billion. The municipalities guarantee 55 percent of the liabilities and the county councils the remaining 45 percent.

The local government sector’s pension commitments are considerable, although the payments, i.e. the amortisation of the liabilities, will take place over a long period of time; about 50 years. The scope of the pension payments in relation to the local government sector’s taxation capacity is expected to peak over the next two or three years and to then gradually abate. Compared with the 2012 level, the expected increase in pension payments up until 2015 corresponds to approximately SEK 0.05 in municipal tax.

Source: Swedish Association of Local Authorities and Regions (SALAR), “The economy report – April 2013”, “Municipalities’ and county councils’ pension liabilities”

8) The balance requirement means that individual municipalities and county councils may not approve budgets where expenditure exceeds revenue. If the result is nonetheless negative, this must be offset by a surplus within three years.

9) Also includes the borrowing debt of companies owned by county councils.

10) Source: Swedish National Debt Office

Change in local government borrowing

Each individual principal in the local government sector – municipality, county council or region – has its own unique financial conditions and is also fully responsible for its own debt management. Consequently, individual municipalities and county councils may differ considerably with regard to both the level of their borrowing debt and how it varies over time. This is also true of local government authorities that are often categorised together for reasons of geography, population structure or other characteristics. In turn, this means that the observable trend at the local government corporation level is not necessarily representative even of the majority of local government authorities in the category. In extreme cases, the category's aggregate and average values at any given time or across a period are driven by development in one or a couple of the category's members. Consequently results at the group level should be interpreted with a certain degree of caution and not automatically generalised as applicable to all individual members of that group.

When local government borrowing is broken down by population, the increase between 2007 and 2012 seems to be relatively evenly distributed between different categories of local government authorities. While borrowing debt is indeed increasing faster among larger local government authorities than smaller ones, the difference is only a couple of percentage points. When SALAR's more refined categorisation of local government authorities (see Appendix 1) is applied and borrowing debt is calculated per inhabitant to take into account differences in population trends over the period, the picture becomes more diffuse and the differences between categories of local government authorities increase, both in terms of level and rate of change. When the analysis is finally made at the municipal and county council level, the results indicate that a number of larger municipalities and county councils are driving the trend towards increased indebtedness in the sector.

As can be seen from Diagram 6, borrowing debt in absolute figures rose between 2007 and 2012 for county councils as a group and for all categories of local government authorities in terms of population. In larger municipalities, borrowing rose by SEK 39.5 billion, equivalent to 19 percent, to SEK 250.4 billion. Among medium-sized municipalities and smaller municipalities, borrowing debt rose by SEK 13.5 billion and SEK 8.8 billion respectively, to SEK 93.3 billion and SEK 72.6 billion respectively, corresponding to an increase of 17 and 14 percent respectively. Over the same period, the county councils' borrowing rose by SEK 18.4 billion, or 213 percent, to SEK 27.0 billion.

When the municipalities are distributed according to SALAR's categorisation of municipalities, a clear spread can be seen between different categories of municipalities, both in terms of indebtedness and the rate of debt increase (see Diagram 7). The categories Metropolitan municipalities and Sparsely populated municipalities stand out by having both relatively low borrowing for 2012, SEK 36,200 and SEK 34,900 per inhabitant respectively, as well as declining borrowing per inhabitant between 2007 and 2012 by 1 percent and 3 percent respectively.

Fact box 6

Leverage in different sectors

During the first decade of the new millennium, debt in the private sector increased in Sweden while declining in the public sector.

Debt as a proportion of GDP, %

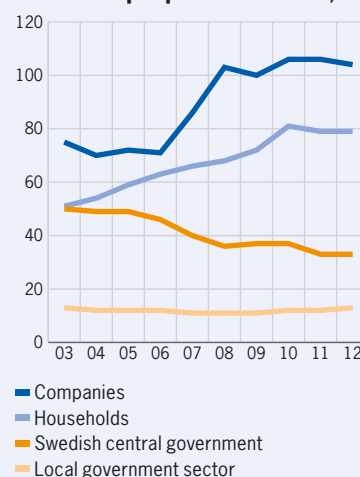
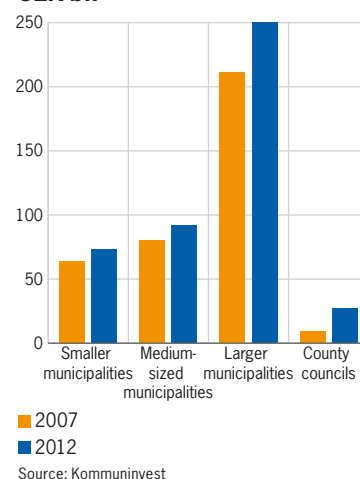


Diagram 6

Local government borrowing, SEK bn

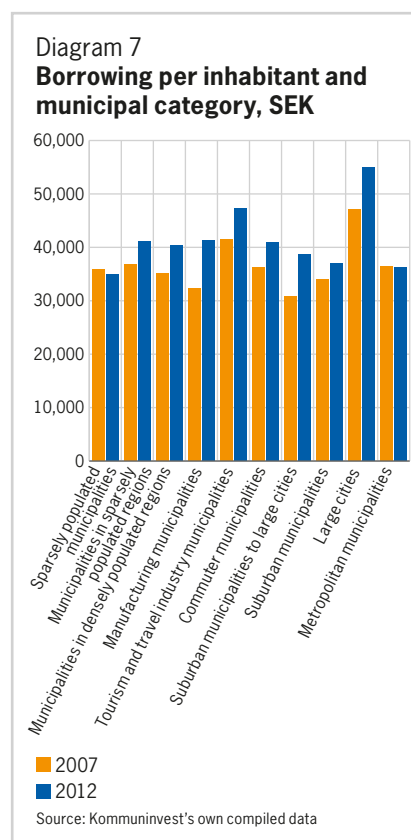


In the Metropolitan municipalities category, the decline in debt is due to the population increasing faster than the debt while the decline in the Sparsely populated municipalities category is due to many municipalities in this category having amortised on their loans.

Municipalities in the Large cities category had the highest borrowing per inhabitant in 2012, on average SEK 55,000. This can be explained by the fact that there are relatively large municipal companies in this category.¹¹ Manufacturing municipalities and Suburban municipalities to large cities had the highest relative increase in debt per inhabitant between 2007 and 2012, at 28 percent and 26 percent respectively. Other categories of municipalities had between SEK 37,000 and SEK 47,300 in borrowing per inhabitant in 2012, with an increase since 2007 of 9–15 percent.

When local government sector borrowing is broken down and analysed at the municipal level, the following emerges:

- Far from all actors contribute to the sector's increasing borrowing debt. Of a total 290 municipalities, 63 had a lower nominal debt in 2012 than five years earlier. In particular, smaller and medium-sized municipalities outside the major urban areas amortised their loans. Of a total 94 municipalities in the categories Metropolitan cities, Large cities, Suburban municipalities and Suburban municipalities to large cities, ten had lower nominal borrowing in 2012 than in 2007.
- Increasing borrowing debt among county councils is being driven by the Stockholm County Council. Of the total increase of SEK 18.4 billion between 2007 and 2012, Stockholm County Council accounted for 86 percent.
- Of the sector's net increase in borrowing between 2007 and 2012, SEK 79.3 billion, ten corporations accounted for slightly less than half, 46 percent.
- The relation between high borrowing debt in absolute terms and per inhabitant is relatively weak. The correlation was 0.35 at the end of 2012.



Fact box 7

The local government sector's largest borrowers

The local government sector's ten largest borrowers consist of one county council, Sweden's three major cities, a larger suburban municipality outside Stockholm and five larger towns.

Only two of the largest borrowers are also to be found in the list of municipalities with the highest borrowing per inhabitant.

Rank	Name	Debt, SEK bn	Rank	Name	Debt per inh., SEK, thousands
1 (1)	Gothenburg	37.5 (32.5)	1 (2)	Södertälje	130.8 (92.0)
2 (11)	Stockholm County	22.3 (6.0)	2 (14)	Lessebo	103.1 (60.2)
3 (2)	Stockholm	15.4 (16.1)	3 (13)	Linköping	102.6 (60.8)
4 (3)	Linköping	15.2 (8.5)	4 (158)	Östersund	92.2 (30.0)
5 (4)	Södertälje	11.7 (7.7)	5 (16)	Borlänge	81.9 (59.5)
6 (6)	Umeå	9.3 (6.5)	6 (3)	Skellefteå	81.1 (86.0)
7 (18)	Malmö	8.2 (4.2)	7 (11)	Berg	80.8 (61.7)
8 (5)	Huddinge	7.7 (6.8)	8 (4)	Strömstad	80.0 (79.7)
9 (10)	Örebro	6.8 (6.1)	9 (41)	Örnsköldsvik	79.3 (47.7)
10 (7)	Uppsala	6.8 (6.3)	10 (47)	Kumla	79.0 (46.6)

(2007 rankings and nominal debt in parentheses)

Source: Kommuninvest

11) *Government Communication 2012/13:102 – Development in the local government sector, states that a third of all municipal companies are to be found among Major cities. Combined, these companies account for 40 percent of all employees in municipal companies.*

Section 3

Funding of local government borrowing

In recent years, the conditions for funding the local government sector's borrowing have been fundamentally changed. The funding sources remain the same as before the financial crisis of 2008/09:

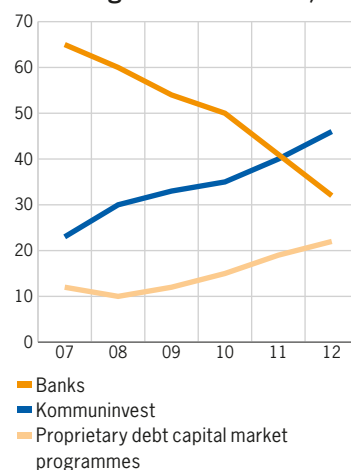
- The banking market
- Kommuninvest
- The authorities' own debt capital market programmes.

However, the relation between the different funding sources has undergone substantial changes.

In 2007, the banks – the four major Swedish banks and a couple of foreign actors – together accounted for nearly two thirds of lending to the local government sector. The largest individual lender to the local government sector was Kommuninvest¹², with lending that amounted to slightly less than a quarter of the sector's borrowing. Few local government authorities and municipal companies borrowed directly on the debt capital market via proprietary commercial paper and bond programmes. Nonetheless, borrowing from the debt capital market accounted for slightly more than 10 percent of the sector's total borrowing.

Diagram 8 shows how the market for local government loan financing developed between 2007 and 2012 with regard to different actors' market shares. The banks' market share has halved from 65 percent in 2007 to 32 percent in 2012. The decline is due to some banks having left the market entirely, e.g. French-Belgian Dexia, while others have reduced their lending. In pace with the decreasing importance of the banks in financing the local government sector, municipalities, county councils and their companies have increased their borrowing via Kommuninvest and their own market programmes.

Diagram 8
Local government loan financing – market shares, %



Source: Kommuninvest, Statistics Sweden

12) Lending is conducted via the credit market company Kommuninvest i Sverige AB.

Kommuninvest's nominal lending rose from SEK 77 billion at the end of 2007 to SEK 197 billion at the end of 2012, an increase of 156 percent. At the same time, its market share doubled from 23 percent to 46 percent. This growth is attributable to the number of members of the Kommuninvest Cooperative Society having risen over the past five years, enabling lending to additional borrowers¹³, as well as to members increasingly having chosen to obtain financing through Kommuninvest. Of the 275 municipalities and county councils who together owned Kommuninvest at the end of 2012, half financed at least 85 percent of their loans through Kommuninvest.

Between 2007 and 2012, the number of municipalities and county councils who actively borrowed directly on the debt capital market through proprietary market programmes rose from 10 to 18. In addition, some ten municipal companies also obtain financing in this manner. In recent years, volumes of commercial papers and bonds outstanding have risen (see Diagram 9). At the end of 2012, the local government sector's total credit market borrowing amounted to slightly more than SEK 100 billion. This value excludes debt capital market funding carried out by Kommuninvest.

Fact box 8

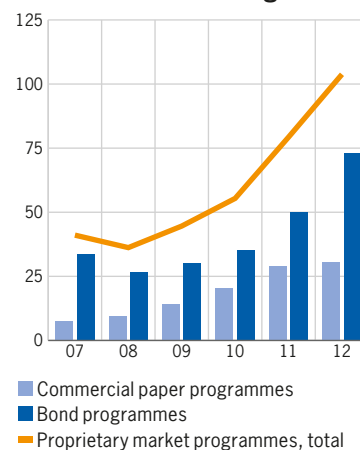
Maturity

The Swedish local government sector differs substantially from its European equivalents with regard to the maturities on its loans. In an international comparison, maturities in Sweden are short. In 2012, loans requisitioned from Kommuninvest had an average maturity of 2.3 years on their starting date. For local government bonds issued in 2012, the corresponding figure was 3.1 years.

As a comparison, 94 percent of all new loans in France in 2012 had maturities exceeding ten years. The average was 15.3 years.

Sources: Kommuninvest, Finance Active

Diagram 9
Volumes of issued certificates and bonds outstanding SEK bn¹



1) Excluding securities issued by Kommuninvest
Source: Kommuninvest, Statistics Sweden

13) Kommuninvest may only lend to municipalities and county councils who are members of the Kommuninvest Cooperative Society and, against guarantees, to companies, foundations and local government associations over which one or more members directly or indirectly exercise a decisive influence.

Section 4

Forecast until 2015

Diagram 10 shows the trend in local government sector borrowing in percent, both in nominal and real terms, between 2003 and 2012. Both time series clearly show that the rate at which borrowing rises has increased over time.

Forecasting the future trend on the basis of the historic trend is difficult. However, there is cause to expect that growth in local government sector borrowing over the next three years will be of a level comparable to the average nominal rate of increase for the preceding five-year period (2008–2012), i.e. approximately 6 percent annually.

The borrowing trend is driven primarily by two factors: the volume of the sector’s investments and the sector’s capacity to finance investments with its own funds.

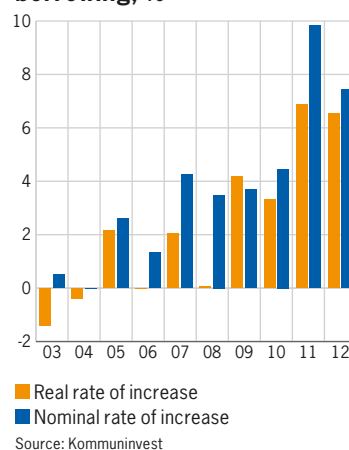
When it comes to investments over the next three years, there is reason to assume that all actors in the sector – the municipalities, the municipal companies and the county councils – will increase their investment volumes:

- SALAR’s compiled summary of the municipalities’ investment forecasts¹⁴ shows that the investment level may rise from slightly more than SEK 40 billion in 2012 to slightly less than SEK 50 billion in 2015.
- Several county councils have announced major upcoming investments, not least in new or rebuilt hospital buildings.
- In pace with the need for renovation of the Million Home Programme projects, constructed from 1965 to 1975, many municipal housing companies will also need to make major investments.

When it comes to the sector’s financial results, SALAR expects that the expenditures within the municipalities’ and county councils’ core operations, i.e. the operations not conducted in company formats, will rise faster than revenues over the next few years, with the consequence that the financial results for the sector risk being lower than in previous years.

Based on the growth of local government borrowing in recent years and the forecasts for both investments and results over the next few years, Kommuninvest expects the nominal rate of increase in borrowing to be 6 percent annually. The sector’s borrowing will pass SEK 500 billion in 2015, corresponding to 14 percent of GDP at the end of that calendar year.

Diagram 10
Nominal and real rates of increase in local government borrowing, %



Fact box 9 Divestments of tangible fixed assets

One factor affecting the sector’s borrowing needs in the near future is the extent to which tangible fixed assets will be divested to finance approved investments. The highest volumes were noted in 2009 when municipalities, county councils and their companies divested tangible fixed assets, particularly land and homes, for at least SEK 24 billion, of which the City of Stockholm accounted for slightly more than half of the divestments.

In 2013, a number of larger municipalities have implemented or attempted to implement divestments of properties with the motivation that this would facilitate both renovations of existing stocks and new production.

14) Source: Swedish Association of Local Authorities and Regions (SALAR) – “The economy report – April 2013”

Appendix 1

SALAR's categorisation of local government authorities

	Number	Description
Metropolitan cities	3	Municipalities with populations of over 200,000.
Suburban municipalities	38	Municipalities where more than 50 per cent of the night population commutes to work in another municipality. The most common commuting destination must be one of the metropolitan municipalities.
Large cities	31	Municipalities with 50,000–200,000 inhabitants and more than 70 per cent of the population lives in urban areas.
Suburban municipalities to large cities	22	Municipalities in which more than 50 percent of the night-time population commutes to work in a large city.
Commuter municipalities	51	Municipalities in which more than 40 percent of the night-time population commutes to work in another municipality.
Tourism and travel industry municipalities	20	Municipalities where the number of guest nights in hotels, youth hostels and camping sites is higher than 21 nights per inhabitant and the number of holiday homes exceeds 0.20 per inhabitant.
Manufacturing municipalities	54	Municipalities where more than 34 percent of the night-time population aged 16 to 64 is employed in manufacturing, mining, energy, environmental and construction industries (SNI2007).
Sparsely populated municipalities	20	Municipalities where less than 70 percent of the population lives in urban areas and there are less than eight inhabitants per km ² .
Municipalities in densely populated regions	35	Municipalities with more than 300,000 inhabitants within a 112.5 km radius.
Municipalities in sparsely populated regions	16	Municipalities with less than 300,000 inhabitants within a 112.5 km radius.

Source: Swedish Association of Local Authorities and Regions (SALAR)

ABOUT KOMMUNINVEST Kommuninvest i Sverige AB is owned by Swedish municipalities and county councils with the purpose of supporting their financial operations through secure and cost-efficient financing, skills development and coordination. Kommuninvest's vision is to be the world's best organisation for local government financial administration.



KOMMUNINVEST

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