

ARTICLE – The Riksbank’s balance sheet is growing

The monetary policy measures taken in recent weeks mean that the Riksbank's balance sheet is growing fast in light of the major asset purchases and extensive lending. If all of the measures are used in full, the balance sheet total may increase by more than SEK 1400 billion. This is considerably more than during the financial crisis 2008–2009 and is a gauge of the size of the measures taken by the Riksbank to support the economy.

The Riksbank's balance sheet reflects the measures taken by the Riksbank to stimulate the economy and create the conditions for inflation to gradually return to the target. Even before the coronavirus pandemic, the balance sheet total was larger than during the financial crisis 2008–2009 (see Figure 1:14). The balance sheet is now growing further.

Figure 1:15 shows how the assets and liabilities on the Riksbank's balance sheet may be affected as a result of the measures taken since the middle of March. Exactly how the balance sheet is affected will depend on what measure is taken and how much liquidity the banks and other agents request. When the Riksbank buys assets (such as bond and commercial paper), the holdings of securities on the asset side increase. The Riksbank pays for its purchases by “creating central bank money”, that is, increasing the banking system's liquidity surplus towards the Riksbank, so that deposits from the banking system increase on the liabilities side. When the Riksbank instead lends money in Swedish krona, a claim arises on the balance sheet's asset side, while the deposit increases the liabilities side. All of these measures thus mean that the balance sheet total grows.

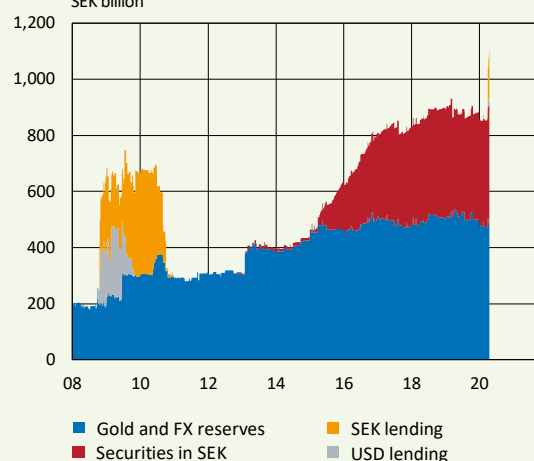
The balance sheet total also grows when the Riksbank lends US dollars, assuming that the lending is financed by using the swap agreement with the Federal Reserve, as the Riksbank's lending is then financed through an increased debt to the Federal Reserve. However, the balance sheet total is unchanged if the lending is financed through the Riksbank's foreign currency reserve. In both cases, the banking system's liquidity surplus remains unchanged.

Before the crisis broke out in earnest in Sweden, at the end of February 2020, the banking system's liquidity surplus towards the Riksbank (the banks' deposits with the Riksbank) amounted to around SEK 480 billion, while the Riksbank's total assets amounted to around SEK 900 billion. If all of the measures the Riksbank has implemented up to now are used in full, the holdings of securities may increase by SEK 300 billion (corresponding to the Riksbank's new decisions on purchases of bonds and commercial paper), lending in Swedish krona to the corporate sector may amount to SEK 500 billion and lending in US dollars may amount to around SEK 600 billion. The balance sheet total could then increase

by a total of SEK 1400 billion. Most of this corresponds to an increase in the banking system's liquidity surplus, which then rises by SEK 800 billion. Moreover, the Riksbank is offering three-month loans in Swedish krona to the banks, which if they are used will increase the balance sheet total and the banking system's liquidity surplus even further.

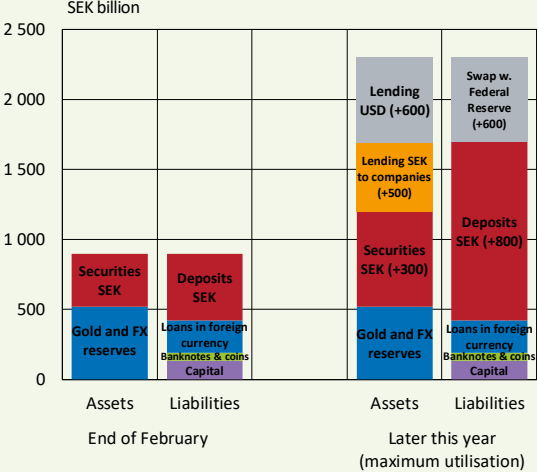
The fact that the balance sheet is growing in this way means that the Riksbank is taking on some of the risk that agents on private markets are unable or unwilling to bear under the circumstances currently prevailing in the Swedish economy. It is part of the Riksbank's task to contribute to alleviating negative consequences for the economy and enable it to gradually return to a normal situation. The amounts may change according to needs and depending on economic developments.

Figure 1:14. Assets on the Riksbank's balance sheet
SEK billion



Source: The Riksbank

Figure 1:15. Potential consequences of the Riksbank's measures for the Riksbank's balance sheet



Source: The Riksbank