

CONSULTATION RESPONSE

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Riksdag Committee on Finance

Consultation response regarding the Evaluation of Sweden’s monetary policy 2015–2024

The Executive Board welcomes the work and analysis of the evaluators and agrees with many of the recommendations presented in the evaluation. It is positive that, in addition to monetary policy, the evaluators have also analysed the interaction within the entire Swedish economic policy framework. This consultation response presents and justifies the Executive Board's positions on the recommendations, but does not intend to cover all the conclusions and analyses presented in the evaluation.

The Executive Board notes that the evaluators consider that the Riksbank acted with determination in exceptionally challenging circumstances, and that many of the decisions taken during the period were reasonable given the information available. The Executive Board agrees that the decade under review was special in many ways, with difficult trade-offs, and that there are several lessons to be learnt for the future.

It is important that the Riksbank’s measures are examined and discussed. The Riksbank is an authority with a high degree of independence in matters of monetary policy. This requires accountability, which is facilitated by a high level of transparency and thorough evaluations that maintain confidence in and support for the Riksbank's independence and mandate. External reviews of monetary policy can also contribute to a more informed discussion, which in turn provides an important basis for continuous improvements in monetary policy.

The Executive Board's comments on the evaluators' recommendations

1.1–1.3 Strengthen the framework for monetary policy tools

The Executive Board shares the evaluators' view that situations may arise where unconventional measures (negative interest rates and/or asset purchases) may again need to be used for monetary policy purposes. When financial market turbulence threatens financial stability and affects the monetary policy transmission mechanism, asset purchases can be an important tool even going forward.

Under normal circumstances, the policy rate is the main monetary policy tool. The Executive Board sees asset purchases as a possible measure in unusually difficult monetary policy circumstances, for example in situations where the policy rate is close to its lower bound while the credibility of the inflation target is threatened. The threshold for asset purchases will thus be high, in particular for purchases of financial instruments other than Swedish government securities, where the Sveriges Riksbank Act requires that there be exceptional reasons. Asset purchases also entail financial risks for the Riksbank and other side effects that need to be clearly illustrated in connection with the decisions.

The Executive Board agrees with the evaluators' conclusion that the analysis of the effects of unconventional measures and how to best design and phase them out, taking into account costs and risks, should be further developed. The Riksbank has published studies on the experience of previous asset purchases and negative interest rates and will continue to evaluate the experience of asset purchases and government bond sales in recent years. The Riksbank intends to gather this experience to develop a more structured framework for unconventional measures. New research and knowledge will influence the design of any future measures.

One lesson learnt is the importance of maintaining operational preparedness to purchase assets in a difficult monetary policy situation. Such preparedness helps to increase the credibility of monetary policy even in normal times. In November 2024, the Riksbank therefore decided to establish a long-term holding of government bonds that enables regular trading in nominal government bonds.¹

The Executive Board is in favour of clarifying how unconventional monetary policy measures are intended to be phased out. At the same time, the Executive Board would like to emphasise that it may be difficult to specify in advance a detailed

¹ This holding totals a nominal amount of SEK 20 billion and should over time broadly reflect the composition of outstanding nominal government bonds with remaining maturities of around 1 to 15 years.

rule of conduct that can always be expected to apply. Different monetary policy instruments have different, and often state-dependent, effects and the most appropriate way to unwind unconventional measures depends on the prevailing circumstances.

The Riksbank endeavours to achieve a high level of transparency and well-founded monetary policy decisions. This is also the case when the decisions have concerned unconventional measures. When major disruptions occur, the Riksbank may need to increase its risk-taking to stabilise developments, but the risks must then be made clear. In the light of the experience of recent years, the Executive Board considers that the costs and side effects of unconventional measures should be more clearly recognised and communicated in the future. In particular, the Riksbank intends to clarify the link between unconventional measures and financial risks.

According to the Sveriges Riksbank Act and its preparatory work, the Riksbank must take a stance, at the time of the decision, on whether the main purpose of a measure is to promote financial stability or price stability. The Executive Board therefore considers that the recommendation that the Riksbank should clearly distinguish between asset purchases related to the functioning of the market and those related to monetary policy stimulus already follows from the Sveriges Riksbank Act. No new regulation is therefore needed.

2.1 Enhance information sharing between monetary and fiscal authorities, particularly in the case of deep downturns, while respecting institutional independence

The Executive Board agrees with the recommendation and has also previously highlighted the need for more information sharing between different policy areas.² For some time now, we have also been holding regular discussions with the Ministry of Finance on the economic situation. The double prohibition on instructions, which states that no authorities may give instructions to the Riksbank and that the Riksbank may not request or receive any such instructions, is not an obstacle to an open discussion between the Government and the Riksbank on the economic situation.

In the event of a deeper downturn, the need for active fiscal policy stabilisation increases and it is then particularly important to have a smooth system for information sharing between fiscal and monetary policy. The regular discussions between the Government and the Riksbank on the economic situation contribute

² See, for example P. Jansson (2021), "Is it time to review the division of roles in macroeconomic policy?", speech at Sveriges Riksbank, 8 December and the Riksbank's consultation response dated 19 February 2025 <https://www.riksbank.se/globalassets/media/remisser/riksbankens-remissvar/engelska/2025/consultation-response-to-report-from-surplus-target-to-balance-target.pdf>.

to a more effective and flexible stabilisation policy. The new fiscal framework that the government submitted to Parliament last December also supports an increase in information sharing. The framework states that fiscal policy should be tailored to the overall stabilisation needs of the economy, taking into account the actual room for manoeuvre for monetary policy and its impact on demand.

The Riksbank intends to deepen its analyses of the relationships between fiscal and monetary policy, which will hopefully contribute to an increased exchange of knowledge between the relevant authorities.

2.2 Consider the alignment of the debt management strategy with unconventional monetary policy operations

The Executive Board considers it important to discuss how cooperation between authorities can be strengthened on various issues. However, the Executive Board considers that the recommendation would be difficult to implement. Coordination of the Swedish National Debt Office's borrowing and the Riksbank's unconventional monetary policy operations would raise questions about the division of roles and responsibilities and give rise to conflicts of objectives. Having said that, however, it is reasonable to ensure, where possible, that the actions of the Riksbank and the Swedish National Debt Office do not counteract one another.

2.3 Review the implementation of the Riksbank's equity framework

The Executive Board sees no need to review the current framework for the Riksbank's equity. In January 2025, amendments to the Sveriges Riksbank Act entered into force, which meant, among other things, that submissions to the Riksdag on the restoration of the Riksbank's equity became a possibility instead of an obligation. Further, the Riksbank was given the opportunity to require credit institutions to hold interest-free deposits at the Riksbank when its equity falls below the target level. This deposit requirement has now been introduced, which strengthens the Riksbank's ability to fund itself. The Executive Board therefore considers that there is no need to revise the framework at this stage. On the other hand, there may be reason to review which valuation principle should be used for the Riksbank's asset holdings. However, this is an issue that involves several technical considerations.

3.1 Invest in further improvements in main forecasting model, MAJA

The Executive Board welcomes the report's discussion of the methods and models used in monetary policy analysis and the suggestions for their further development. The Executive Board agrees that it is important to continuously invest in the development of the Riksbank's analytical capacity and modelling tools. Much of this work is already underway at the Riksbank.

No single tool can fulfil all analytical needs and both the needs and the tools change over time as the world changes. The Riksbank is continuously reviewing the design of various models and several projects are underway at the Riksbank with the aim of developing the modelling support for monetary policy analysis and sharpening the forecasting tools. For example, work is ongoing to evaluate and improve nowcasting models and further develop macro models (including the core model MAJA). As for other central banks, with which the Riksbank regularly exchanges experiences, one of the challenges is to strike a balance between the size and complexity of macro models and their practical usefulness. There are a number of interesting potential extensions to MAJA and the options that best suit the Riksbank's needs are currently under investigation. The Executive Board agrees with the evaluators that it is important to improve the analysis of fiscal policy and the housing market. This can be done in MAJA or in complementary models.

The Riksbank is also working on developing new methods for making short-term forecasts based on AI and machine learning. These types of models can capture non-linear relationships at an early stage, and evaluations have shown that they have relatively good predictive power over 1–12 months.³ This highlights the importance of developing new modelling tools, rather than simply expanding data.

3.2 Further develop high-frequency and real-time data

The Executive Board agrees that it is important to continue developing the use of high-frequency and real-time data. In the Riksbank's overall strategic plan, one of the shifts is to harness the potential of data.⁴ The work is about streamlining and improving the conditions for working with data, both in forecasting and policy analysis, and exploring how new data sources can help us understand the economy in new ways.

One lesson from the high-inflation period is that the Riksbank needs to analyse more high-frequency and disaggregated data to see when inflation dynamics change. Continuous analysis of more high-frequency measures of inflation than the 12-month figures can provide a clearer insight into where inflation is heading. The Riksbank has also begun to use online prices for items such as food to detect early signs of changes in the consumer prices. Since spring 2023, the Riksbank has subscribed to data from Matpriskollen (food price monitoring), which is used as an indicator in the Riksbank's short-term models for forecasting food prices.

³ See A. Den Reijer, P. Stockhammar, D. Vestin, D. Bucci and X. Zhang (2025), "AI-based forecasting in Sweden", Staff memo, Sveriges Riksbank

⁴ See the Riksbank's website <https://www.riksbank.se/globalassets/media/riksbanken/lagar-regler--policy/the-riksbank-strategic-plan-2024-2027.pdf>.

It is important to further develop models and use new statistical sources. But it is unlikely that the Riksbank would have been able to completely avoid major forecasting errors, even with the aid of these, when inflation rose sharply in 2022. It is very difficult to make forecasts during regime shifts. The upturn in inflation was due to a combination of global supply and demand shocks that created large imbalances in the economy, at the same time as firms started to pass on a larger share of their cost increases to consumer prices than before. Rapid behavioural changes of this kind are difficult to include in advance in the forecasts, because it is not entirely clear what triggers them. This is probably one reason why the Riksbank and other forecasters initially underestimated the indirect effects on inflation of rising energy prices. It demonstrates the importance of following companies' pricing behaviour very closely. One way of doing this is through the Riksbank's Business Surveys, another is to regularly study how often companies change their prices. This has been made possible by a research project, in which researchers at the Riksbank compile and publish statistics on the frequency and magnitude of price changes, based on the microdata underlying the official Swedish CPI.⁵

Exogenous shocks are unpredictable and it is difficult to determine in real time if and when a structural shift will occur, and this will be the case even in the future. However, the Riksbank is constantly endeavouring to improve its understanding of how various shocks propagate through the economy. The high-inflation period has provided new insights. Continued investment in data analysis and modelling tools will help the Riksbank to better understand inflation and its determinants.

3.3 Institutionalise scenario analysis in decision-making

The Riksbank has used alternative scenarios in both its internal analysis and external communication since 2007. The Riksbank's policy rate forecast reflects the policy that the majority of the Executive Board considers to be well-balanced, which means it stabilises inflation at the target of 2 per cent and contributes to a balanced development of production and employment. Scenario analysis can contribute to better decision-making by illustrating the consequences of changing critical forecast assumptions. Such scenarios are already being discussed to some extent, but the use of more quantitative scenarios in the preparation of monetary policy decisions could be developed.

Scenarios are also useful in the Riksbank's external communication on monetary policy. Since April 2023, each Monetary Policy Report has contained two scenarios. The scenarios aim to illustrate the uncertainty in the Riksbank's

⁵ See M. Klein, E. Skeppås and O. Tysklind (2024), "Price changes on goods and services during the high inflation period: insights from microdata", Economic Commentaries, no. 15, Sveriges Riksbank and the Riksbank website <https://www.riksbank.se/en-gb/about-the-riksbank/the-tasks-of-the-riksbank/research/database-for-pricing-behavior-of-swedish-consumer-prices/>.

forecasts, provide information on which risks the Executive Board perceives as important and convey the Executive Board's reaction function, that is, how monetary policy may be adjusted if economic developments deviate clearly from the Riksbank's forecast.

Identifying and developing in advance scenarios that will be relevant for monetary policy decision-making and communication is not easy. For example, at the beginning of 2022, it would have been useful to have a scenario in which inflation increased faster and more persistently than in the baseline, and in which monetary policy therefore needed to act more forcefully.⁶ However, given the previous long period of low inflation and policy rates close to the lower bound, it seemed unlikely that inflation would rise to levels not seen since the inflation target was introduced. The Riksbank was not alone in making this assessment.

Nor is it obvious how extreme, specific and detailed the scenarios should be in relation to the Riksbank's forecast. Scenarios can only reflect known risks – one cannot predict the unpredictable. A problem with more extreme scenarios is that models are needed to estimate the economic impacts and models are by nature based on historical patterns and are better suited to scenarios closer to the baseline. Another difficulty is that certain types of risk can be sensitive to highlight, if there is a risk of expectations becoming self-fulfilling.

The Executive Board considers that the Riksbank has come a long way with the use of scenario analyses in monetary policy communication, but the Board intends to continue to develop the use of scenario analyses in the preparation of monetary policy decisions. Scenarios are likely to be most important in times of high uncertainty.

3.4 Formalise the participation of the Head of Research in monetary-policy deliberations (without voting rights)

The Executive Board considers it important to integrate research into monetary policy analysis and preparation. How this works in practice varies from one central bank to another. The Executive Board considers that the recommendation is not fully compatible with the Riksbank's monetary policy preparation process.

The Head of the Research Division and several researchers are already actively involved in the monetary policy preparation process and contribute with analyses and assessments for the monetary policy decisions. To bring in new perspectives and avoid groupthink, for some time now a researcher or other senior employee at the Riksbank has been given the task of acting as an opponent, a kind of “devil's

⁶ The Riksbank published an alternative scenario with higher inflation in February 2022. It focused on the indirect and second-round effects of high energy prices but did not capture the risk that inflation would continue to rise in 2022.

advocate”, at drafting meetings where the staff’s monetary policy proposals are presented. Researchers will also contribute on a more regular basis with short written analyses on important and difficult policy issues.

The Riksbank has also introduced new contact structures and a new research agenda, which aim to improve the interaction between research and policy work, thereby ensuring that the Riksbank’s policy decisions rest on a strong analytical foundation. The new agenda aims to make research a visible and integrated part of the organisation, highlighting its importance in shaping policy and maintaining the Riksbank’s credibility in a rapidly changing world.

4.1 Support swift action by the Riksbank in times of crises, while respecting new consultation rules

The Riksbank shares the evaluators’ conclusion that it is important that information sharing between authorities functions well both in normal times and times of crisis. Well-functioning contacts and information sharing are crucial for the Riksbank and other authorities to be able to act quickly in crises. The Riksbank considers that there are already several well-established channels for sharing information, data and assessments, and the Executive Board has no doubts that decisions can be taken quickly. The Riksbank’s assessment is that both bilateral dialogues with the authorities concerned and the Financial Stability Council have worked well in previous crises. Therefore, the Executive Board sees no need to establish a “Memorandum of Understanding” between Swedish authorities. The Riksbank also notes that the conditions for the Riksbank to give other authorities the opportunity to comment, in accordance with the Sveriges Riksbank Act, depend on whether the Riksbank plans to take the measures for monetary policy purposes or for financial stability purposes.

However, it is important that the possibilities to share assessments and data between authorities do not face legal problems. In a recent consultation response, the Riksbank has emphasised the importance of the Government reviewing the confidentiality provisions that apply to the sharing of data between, for example, the Swedish Financial Supervisory Authority and the Riksbank.⁷

⁷ See the Riksbank’s consultation response dated 9 January 2026 <https://www.riksbank.se/globalassets/media/remisser/riksbankens-remissvar/svenska/2026/sveriges-riksbanks-remissvar-avseende-betankandet-krishantering-och-andrade-rorelse regler-for-forsakringsforetag-.pdf> (only in Swedish).

4.2 Reduce fragmentation and establish stronger coordination mechanisms for macroprudential policies

The Government proposes in a bill how different types of macroprudential measures should be handled.⁸ The Riksbank has already commented on these proposals in a consultation response and therefore refrains from further discussing the evaluators' recommendation in this respect.⁹ The Riksbank also notes that the bill proposes that the authorities concerned should cooperate to a greater extent on macroprudential policy measures. The Riksbank supports such increased cooperation. There are already several established forms of cooperation between these authorities, and this cooperation can be developed and utilised for analysis and decisions on various macroprudential measures. In addition, the cooperation within the Financial Stability Board and its working group is a good forum for broader discussions on risks in the financial system.

4.3 Publish regular joint systemic risk assessments with the Swedish Financial Supervisory Authority

There are several advantages to having financial stability authorities work together on various issues, including risk assessments. At the same time, there are already exchanges between the authorities in risk management. The Riksbank and the Swedish Financial Supervisory Authority share reports and analyses with each other, but have slightly different focuses in their work, which may mean that the risk assessments differ. Joint risk assessments are likely to be more time-consuming and, in case of disagreement, could lead to watered-down compromises. There is also a risk that resources would be spent on coordination and consensus building rather than identifying and analysing risks. Transparency regarding the identification and assessment of stability risks could also be reduced, as the discussion would to a greater extent take place internally between the Riksbank and the Swedish Financial Supervisory Authority, and not as at present, for example, at hearings in the Committee on Finance and discussions in the media.

Overall, the Executive Board considers that the added value of this recommendation is limited. The Executive Board believes that it is better instead to build on the well-functioning cooperation and information sharing that already takes place bilaterally and within the framework of the Financial Stability Council and its working group.

⁸ See Government Bill 2025/26:119 "Development of macroprudential policy" published on 5 February 2026 <https://www.regeringen.se/rattsliga-dokument/proposition/2026/02/prop.-202526119> (only in Swedish).

⁹ See the Riksbank's consultation response dated 16 October 2025 <https://www.riksbank.se/en-gb/press-and-published/notices-and-press-releases/press-releases/2025/the-riksbanks-consultation-response-regarding-changes-in-the-macroprudential-policy-area/>.

5.1 Undertake a systematic review of Sweden's exchange-rate regime

The recommendation is not addressed to the Riksbank and the Executive Board therefore refrains from commenting.

5.2 Develop, formalise and publish a quantitative framework for reserve adequacy

The Executive Board would like to emphasise that the Riksbank already has a quantitative framework for the gold and foreign currency reserves and intends to continue developing this. The Riksbank makes an annual estimate of the foreign currency contingency requirement as a basis for the Executive Board's decision on the strategic allocation of the gold and foreign currency reserves. Today, the assessment of total needs consists mainly of three parts: contingency needs for (i) managing potential crises in the financial system in Sweden, (ii) potential foreign exchange interventions, and (iii) international commitments. The last time there was a major change in the size of the foreign exchange reserves was in 2019, and the policy document describes the framework.¹⁰ At the same time, it is important to regularly review the models that support the assessment of what constitutes an appropriate level of foreign reserves, their targeting and management. The Riksbank plans to further develop its models in this area.

The largest part of the foreign exchange reserve is intended for financial crisis management and is based on the Riksbank's stress tests of the largest banks. In the stress tests, banks are exposed to different scenarios with varying degrees and durations of liquidity stress. The Riksbank's methodology for stress testing banks' liquidity is described in more detail in a Staff Memo.¹¹ This approach is partly inspired by, and in line with, the guidelines set out by the IMF for mature market economies.¹²

The part of the foreign reserves related to the contingency needs for possible foreign exchange interventions is calculated on the basis of three factors: (i) how likely it is that the Riksbank needs to counteract various exchange rate shocks, (ii) how large effects the Riksbank may wish to achieve on the krona exchange rate, and (iii) how large effects the Riksbank assesses that interventions have. The latter is based, among other things, on a number of in-depth studies of exchange rate elasticity conducted by the Riksbank.

¹⁰ See the Riksbank's website <https://www.riksbank.se/globalassets/media/dagordningar--protokoll/protokollsbilagor/direktionen/2019/beslutsunderlag--guld-och-valutareserveren-minskas-nagot.pdf> (only in Swedish).

¹¹ See M. Danielsson and J. Manfredini (2019), The Riksbank's method for stress testing banks' liquidity, Staff memo, Sveriges Riksbank, November 2019.

¹² See IMF (2016), Guidance note on the assessment of reserve adequacy and related considerations, Washington D.C., June 2016.

The contingency requirement for international commitments, which is the smallest part, is calculated as ± 30 per cent of the Riksbank's allocation of IMF Special Drawing Rights (SDR).

The assessment of the aggregate contingency needs for financial crisis management, foreign exchange interventions and international commitments is not based on the outcome of a single mathematical model, but depends on a variety of factors, assumptions, considerations and judgements. Moreover, the overall assessment needs to increasingly take into account the growing geopolitical uncertainty. In addition, there is a published Investment policy for the gold and foreign exchange reserves.¹³ This describes the step-by-step analysis that is done to arrive at a proper balance between preparedness, risk and return. The considerations are set out in the Annex to the Strategic Allocation Decision.¹⁴

5.3 Clarify institutional responsibilities for reserve financing and hedging

The Executive Board agrees that issues related to the financing and hedging of foreign exchange reserves should be reviewed regularly, as they involve a number of difficult trade-offs and the conditions for different options may change over time. However, the Executive Board considers that these issues are not suitable for an external review but should be handled internally at the Riksbank. These issues are not independent and should not be analysed separately, as they are integrated into the management of the foreign exchange reserves in general and are linked to the rest of the Riksbank's balance sheet. For example, different choices regarding the financing and hedging of foreign exchange reserves can affect the liquidity surplus in kronor and thus the implementation of monetary policy. The issues are also sensitive and can potentially have a market impact.

5.4 Commission an independent external review of the reserve framework

External evaluations are valuable and have been used to address some of the issues raised by the evaluators. This was last done in 2024 in the context of an internal review of foreign exchange reserve management, when the BIS conducted a so-called *peer review*. This compared the Riksbank's foreign exchange reserve management with similar management in other countries, including the choice of assets and currencies, interest-rate risk and analysis and decision-making processes. The Executive Board does not see a need for an external review

¹³ See Investment policy for the gold and foreign exchange reserves, dated 3 December 2025, <https://www.riksbank.se/globalassets/media/riksbanken/lagar-regler--policy/investment-policy-for-the-gold-and-foreign-exchange-reserves.pdf>.

¹⁴ See Annex to the decision on the strategic allocation and hedging of the gold and foreign exchange reserves for 2026 <https://www.riksbank.se/globalassets/media/riksbanken/lagar-regler--policy/annex-to-the-decision-on-the-strategic-allocation-and-hedging-of-the-gold-and-foreign-exchange-reserves-for-2026.pdf>.

at the moment, but the Riksbank intends to continue to develop its framework for the foreign exchange reserves.

On behalf of the Riksbank

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Governor

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The decision has been taken by the Executive Board (Governor Erik Thedéen, First Deputy Governor Aino Bunge and Deputy Governors Per Jansson, Anna Seim and Göran Hjelm) following a presentation by Senior Advisor Iida Häkkinen Skans and Advisor Peter Gustafsson. Head of the Monetary Policy Department Åsa Olli Segendorf took part in the final administration.