

On the Riksbank's high threshold for asset purchases

Swedish Economics Association, 4 June 2026

Erik Thedéen, Governor

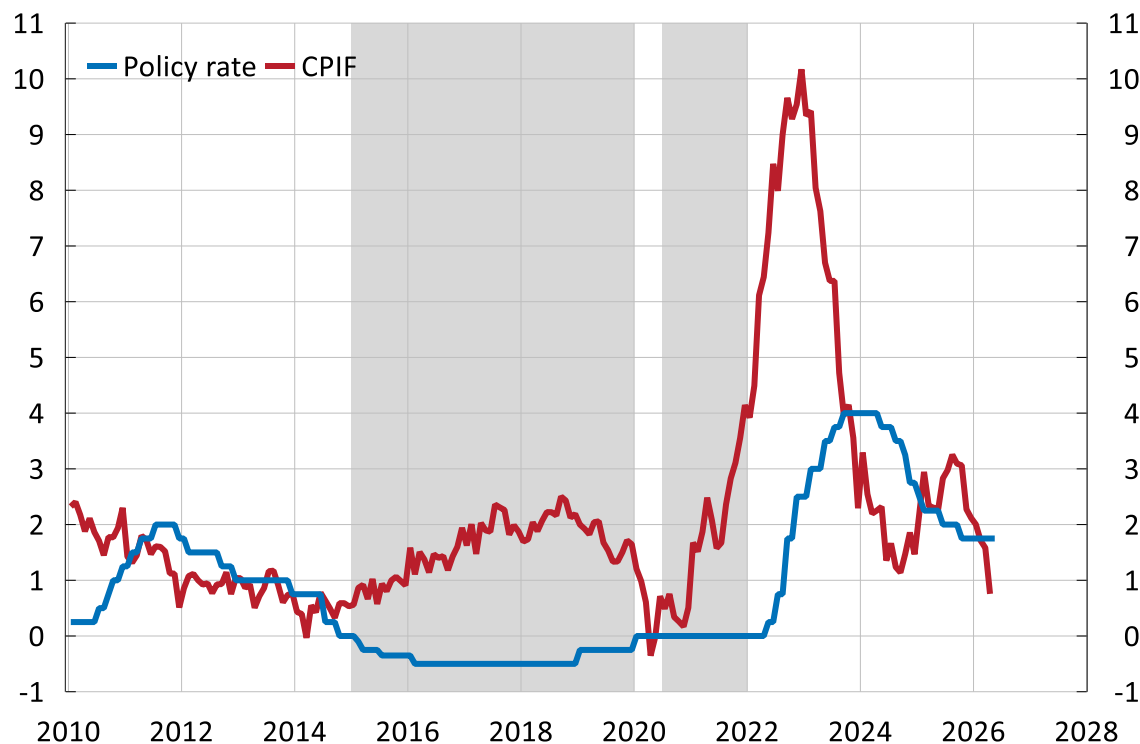
Good time to close the books



- The Riksbank's sales of assets started in April 2023.
- Balance sheet now back at a more normal size after a successful wind-down.
- Good time to summarise the state of knowledge and evaluate our experiences.

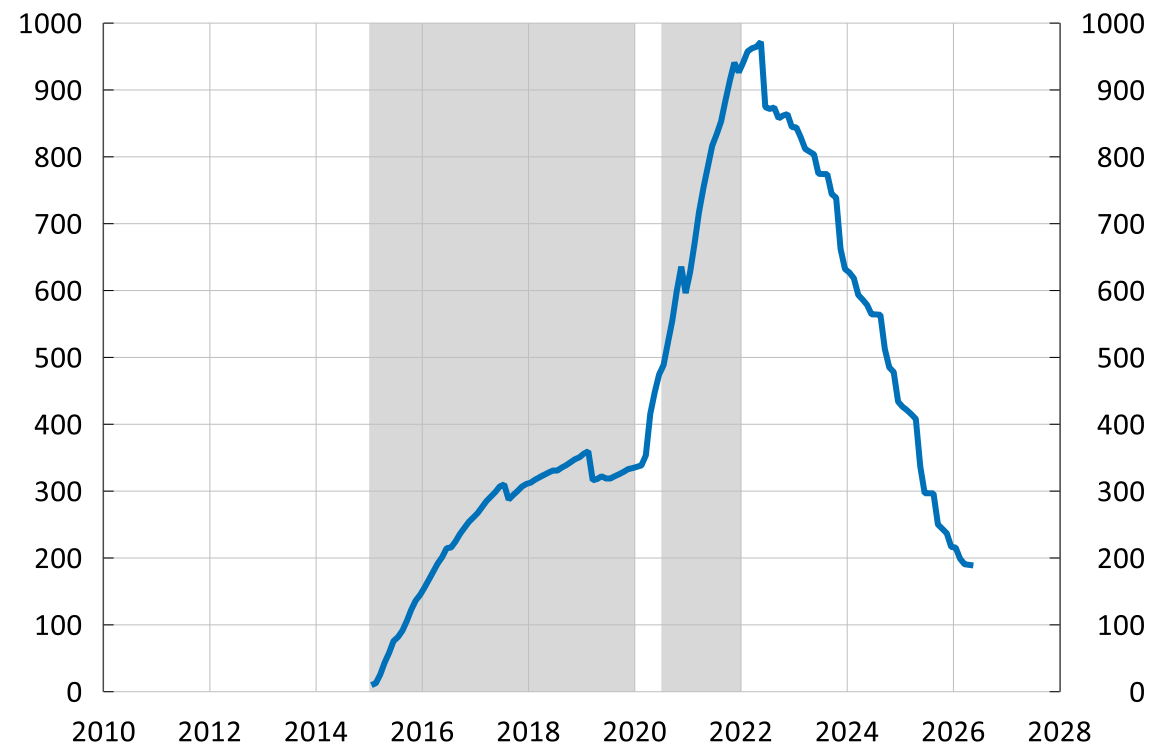
Focus today is on ‘normal’ but unconventional monetary policy

Inflation and the policy rate



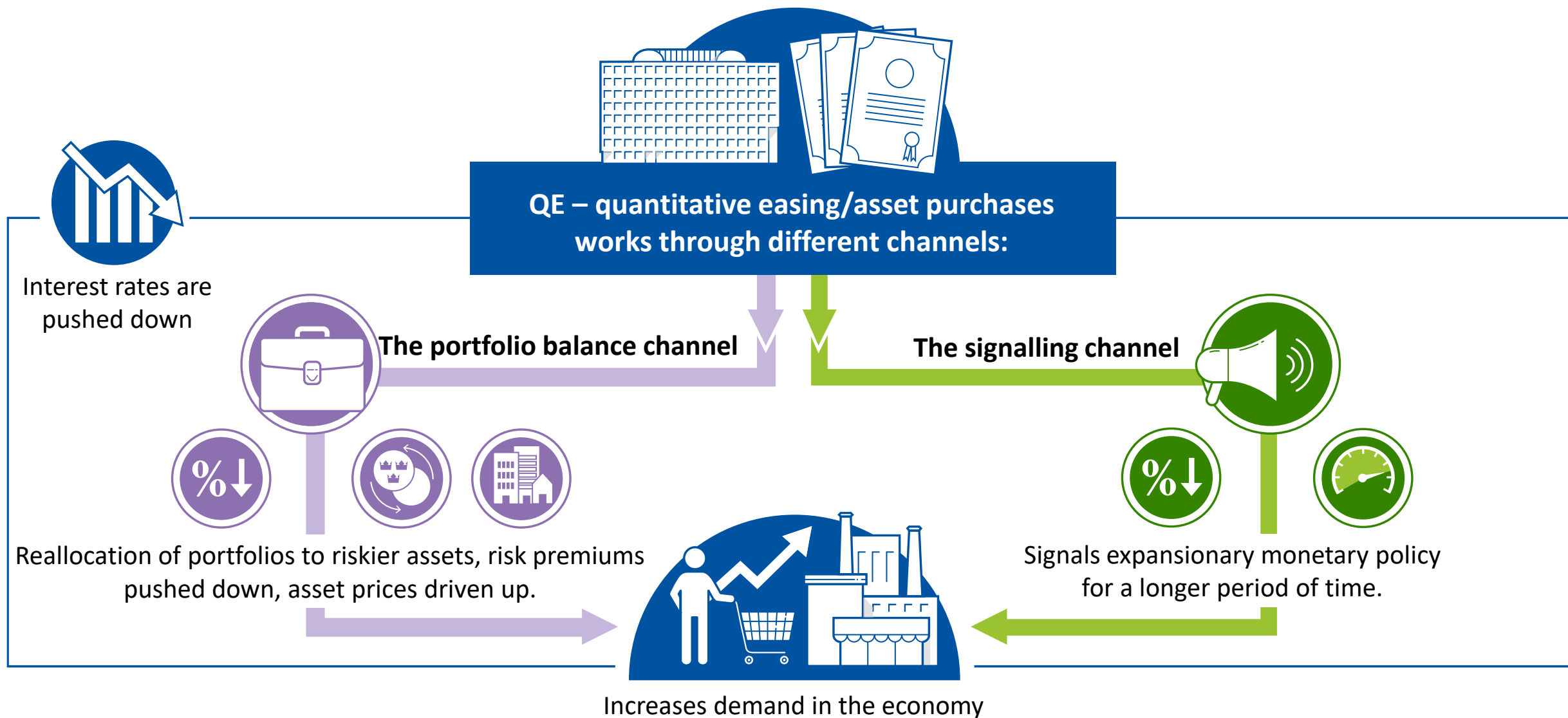
Note. Policy rate in per cent. CPIF in annual percentage change. Grey fields mark the periods within demarcation. Sources: Statistics Sweden and the Riksbank.

The Riksbank's holdings of Swedish assets



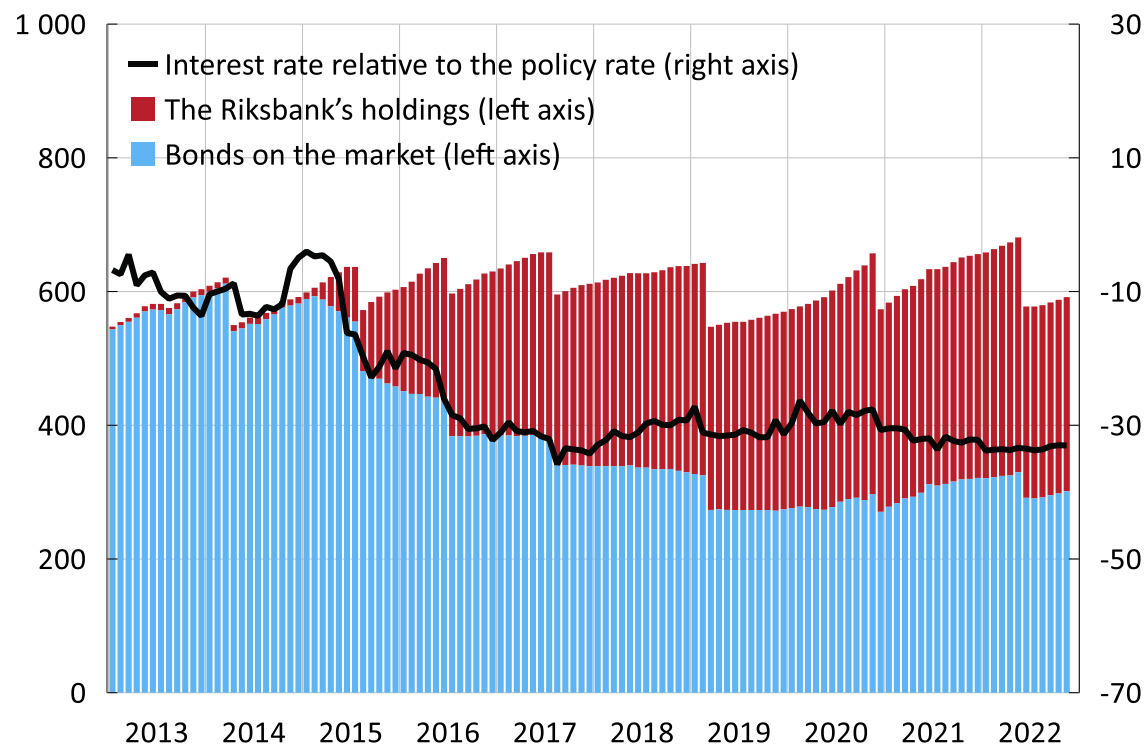
Note. Nominal amounts, SEK billion. Grey fields mark the periods within demarcation. Sources: The Riksbank.

How is quantitative easing – QE – intended to work?



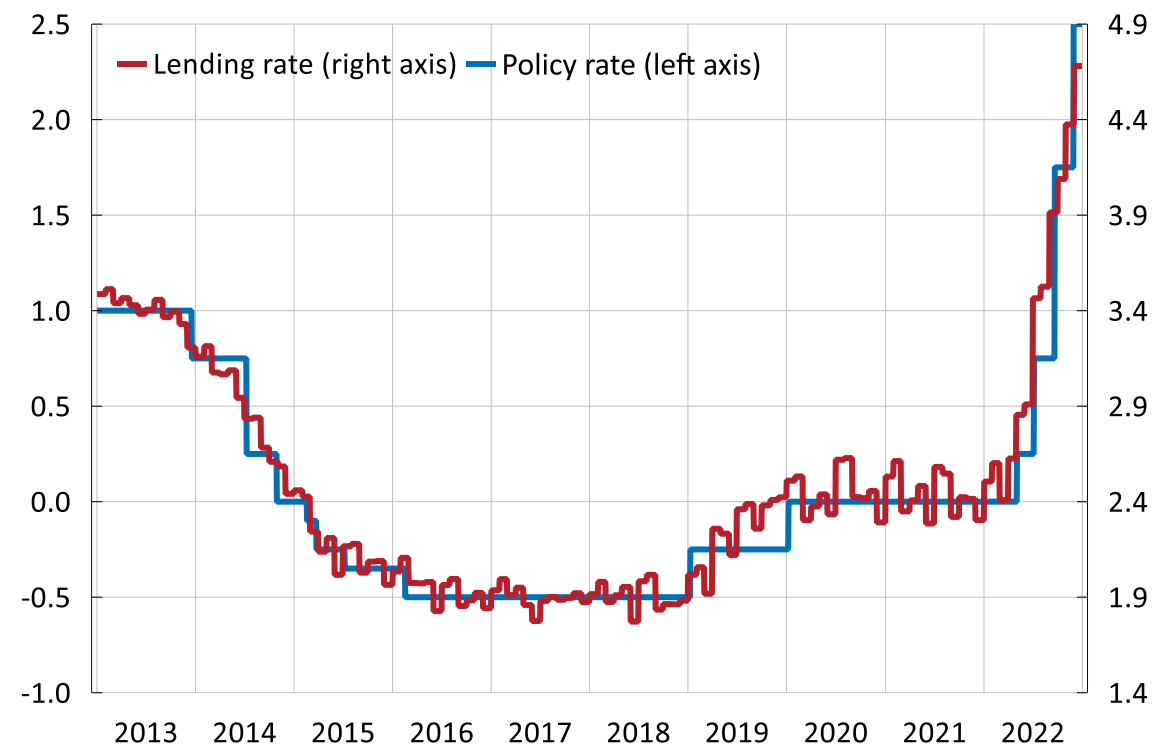
Limited impact on Swedish lending rates

Rates on short government securities fell...



Note. SEK billion (left axis) and basis points (right axis). Interest rate on repo transactions for nominal government bonds relative to the policy rate. The blue field shows the volume of nominal government bonds owned by others than the Riksbank. Sources: Nordea Markets, the Swedish National Debt Office and the Riksbank.

... but hardly any effect on lending rates

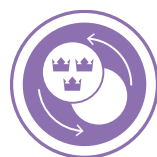


Note. Per cent. Lending rate refers to average lending rate from MFIs to households and companies, new agreements, all interest-fixation periods. Sources: The Riksbank and Statistics Sweden.

The channels have been reassessed



The portfolio balance channel



- Weak support for a decline in the financing costs of Swedish households and companies via interest rate channels following the 2015-2019 purchases.
- The exchange rate channel may have played a more important role.



The signalling channel



- Theoretically elegant but empirically fragile.
- Requires the market to believe that the commitment is real.

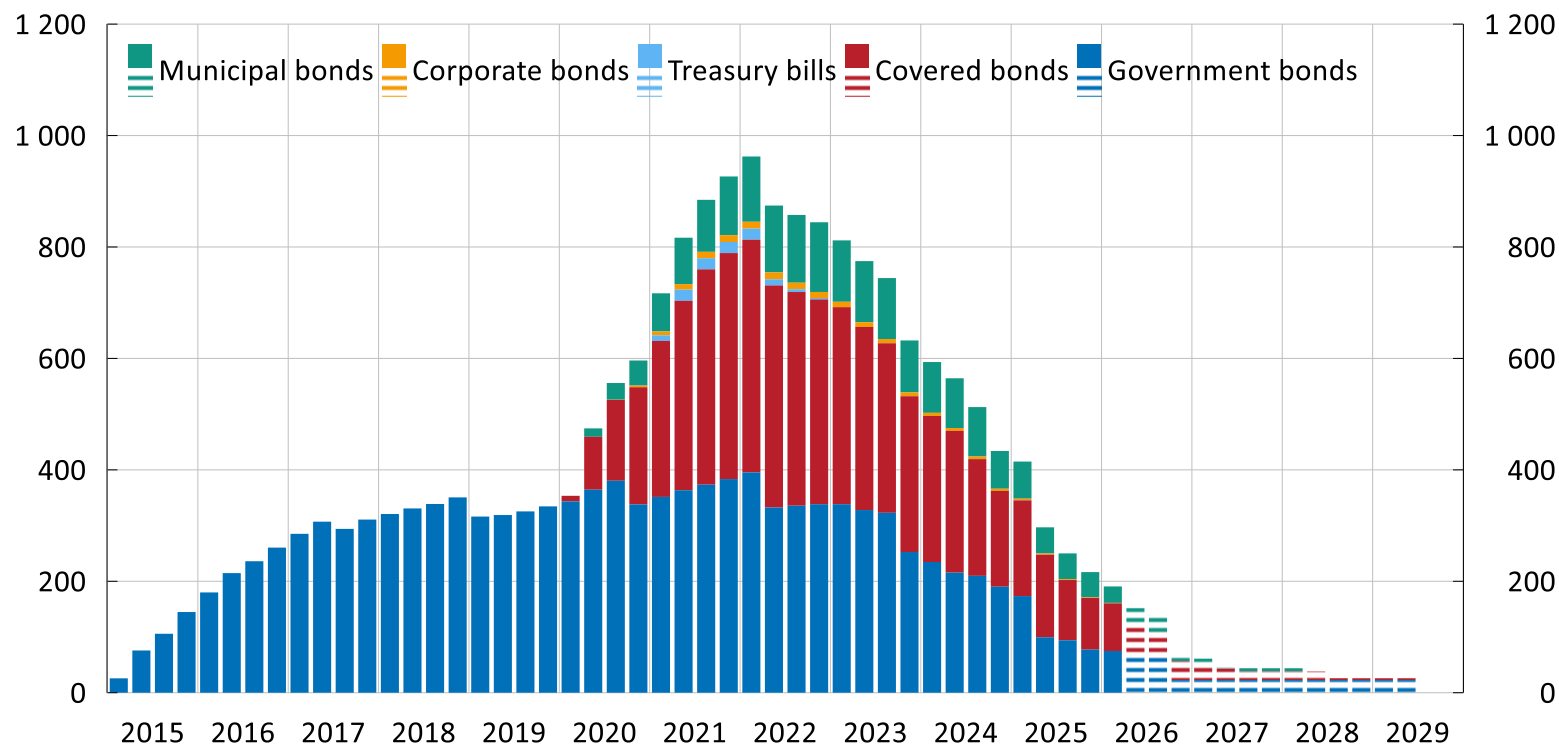
Large-scale asset purchases can impair the functioning of the market



- With fewer bonds available to private agents, market depth and pricing power are reduced.
- Already high asset values can be driven up further.

Exit strategy important but difficult

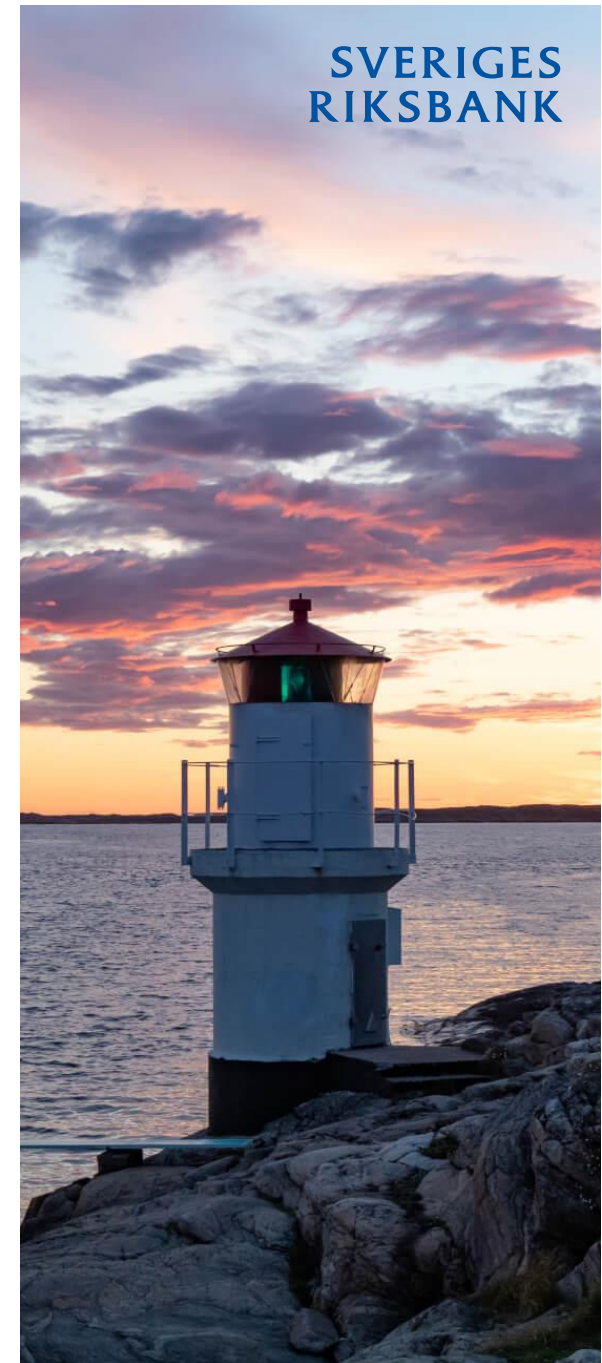
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- The exit strategy should be communicated early.
- QE programmes should be a forecast, not a promise.
- The Riksbank has had a consistent exit strategy since 2022.
- Clear ambition to return to the policy rate as the primary tool.

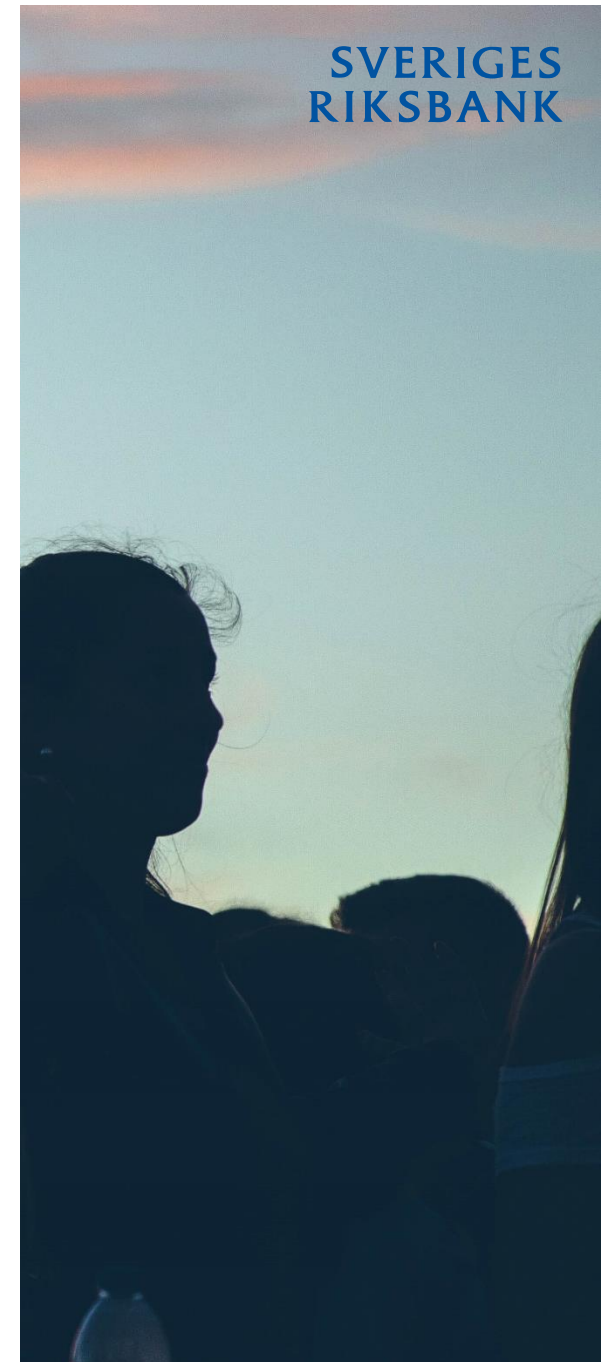
QE and the interplay between economics and politics

- The use of QE may ultimately affect the perception of the central bank's mandate and tasks.
- The effects are long-term and institutional.
- Sweden's low government debt has contributed to the Riksbank's portfolio wind-down taking place largely without negative effects.
- QE may contribute to a weakening of bond market vigilance.

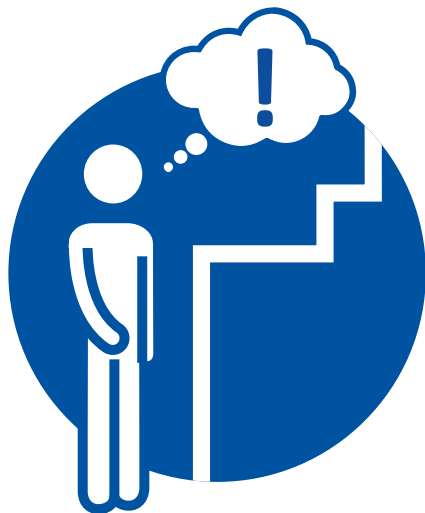


Financial independence is a prerequisite for credibility

- The costs of QE are concrete, the profits are diffuse and uncertain.
- A central bank that needs recurrent capital injections may become dependent on the political system.
- If QE becomes relevant again, it will be important to assess the increased risks of losses that may arise.
- The Riksbank's risk buffers may then need to be reviewed.



Summary



- Variable interest-rate fixation periods make QE less effective in Sweden.
- QE has a direct impact on government borrowing costs – unclear boundary between fiscal and monetary policy.
- Losses can affect independence.
- This suggests that the Riksbank should be more patient before considering QE when the policy rate has reached its lower bound, inflation is low and growth is strong.
- Combined with thoughtful and clear communication, it should be possible to wait for some time before launching QE.
- QE should not be ruled out.

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