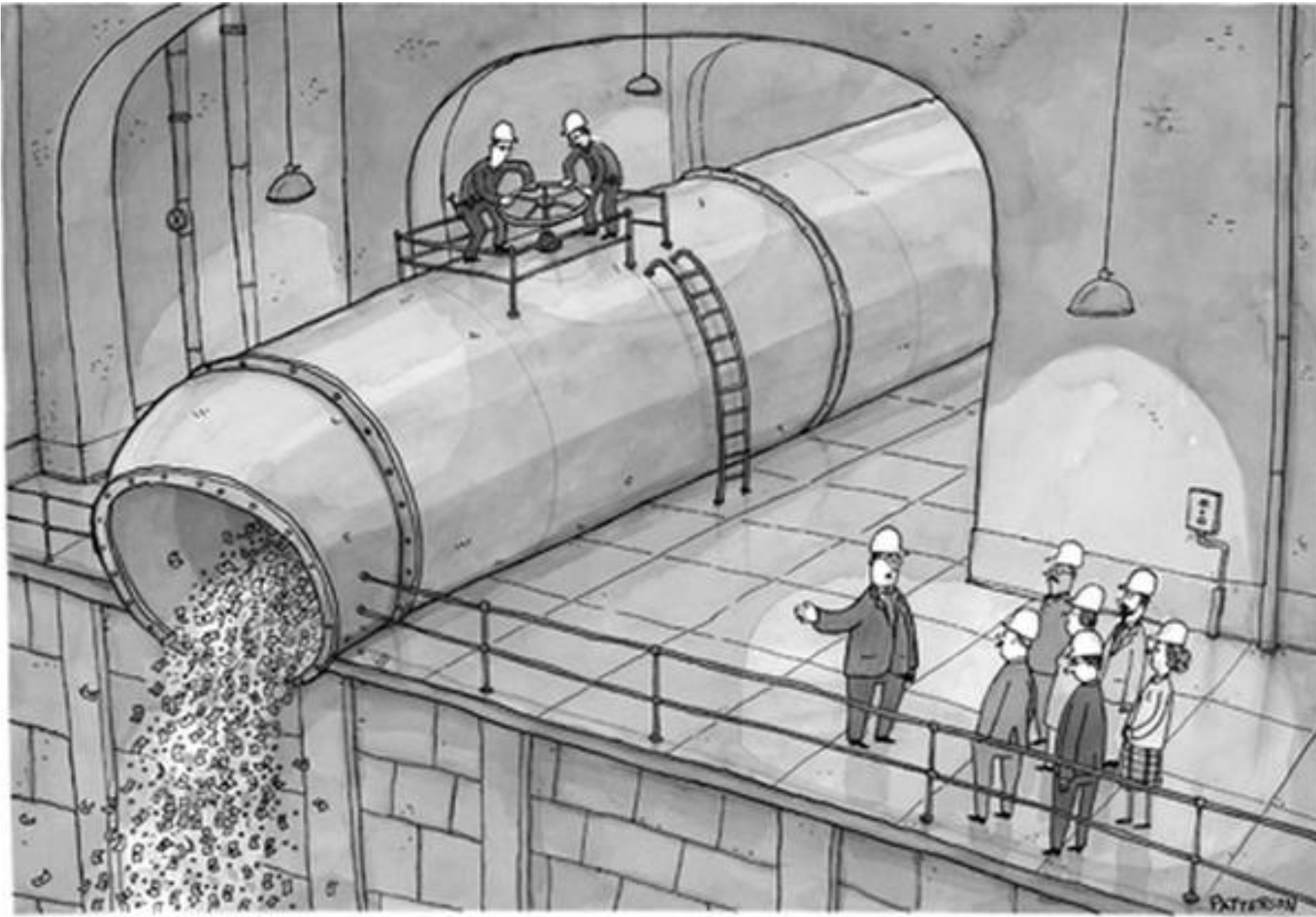


A view on central bank reserves — the Riksbank experience

Oslo 2025-04-03

Heidi Elmér
Head of Markets Department

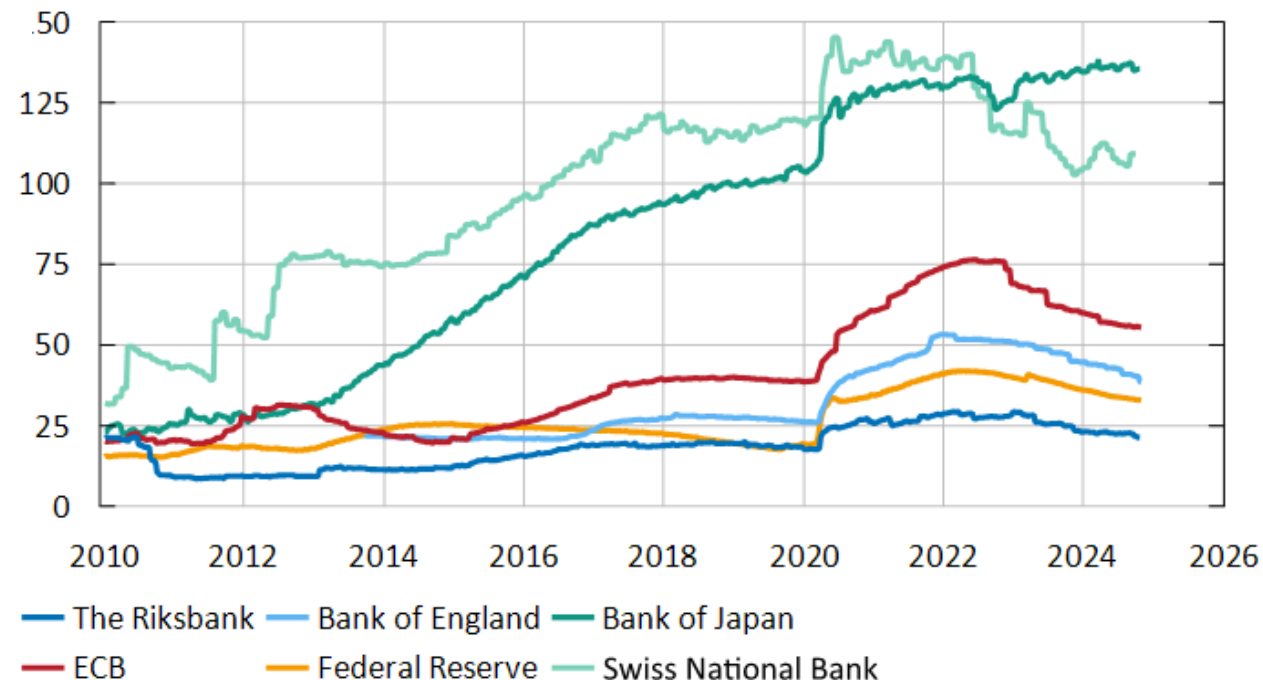


"And this is where we adjust the interest rate"

Central bank balance sheets are starting to normalise

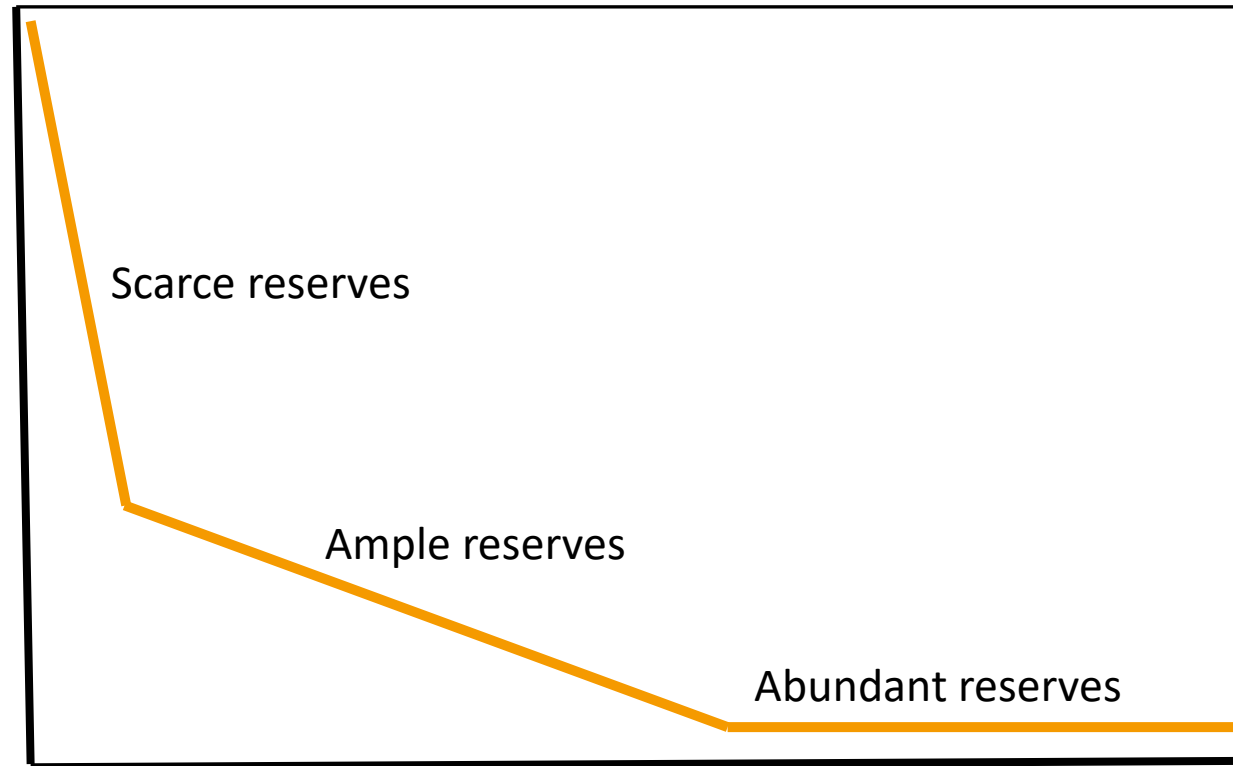
Balance sheet as share of GDP

Per cent



Abundant, Ample or Scarce?

Overnight interest rate (opportunity cost)



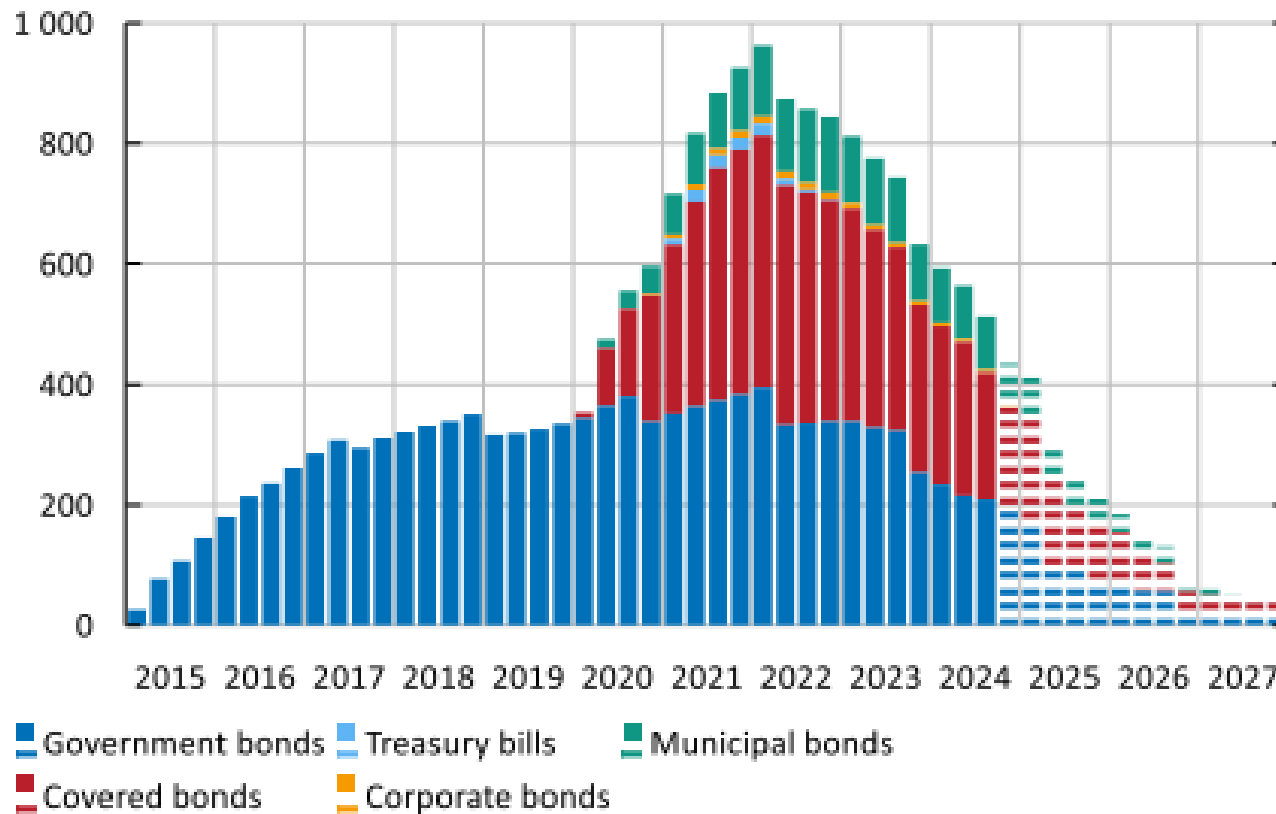
Reserves

- Use of reserves:
 - Settlement medium
 - Store of value (liquidity buffer)
- How much reserves are enough?
- A balancing act between
 - Incentive for interbank activity and true price discovery
 - Crisis-resilience

Normalisation of domestic asset holdings

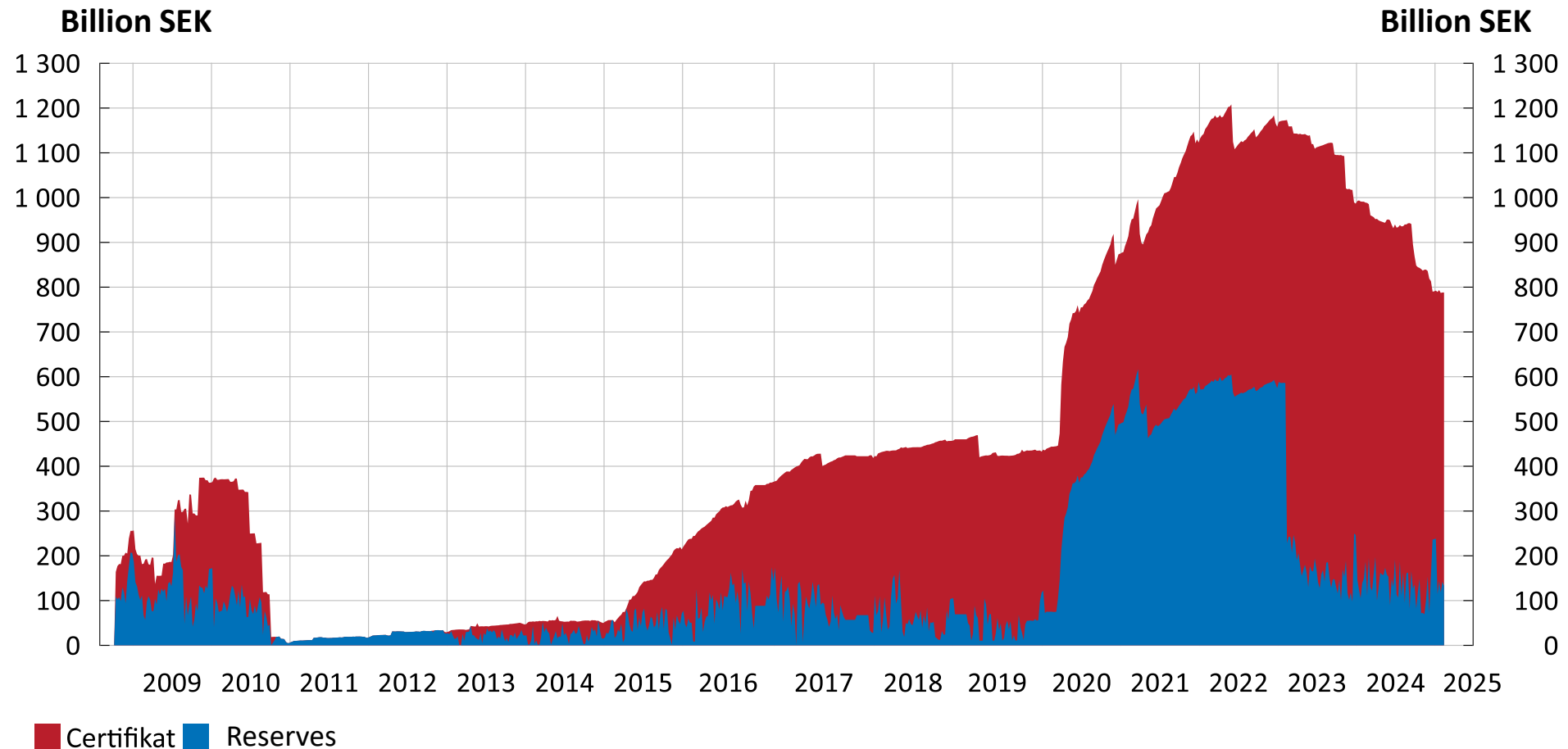
Riksbank holdings of securities

SEK bn, nominal amounts



- Quantitative tightening
 - Sales of government bonds
 - Redemptions of other domestic bonds

...but structural liquidity surplus will prevail after QT

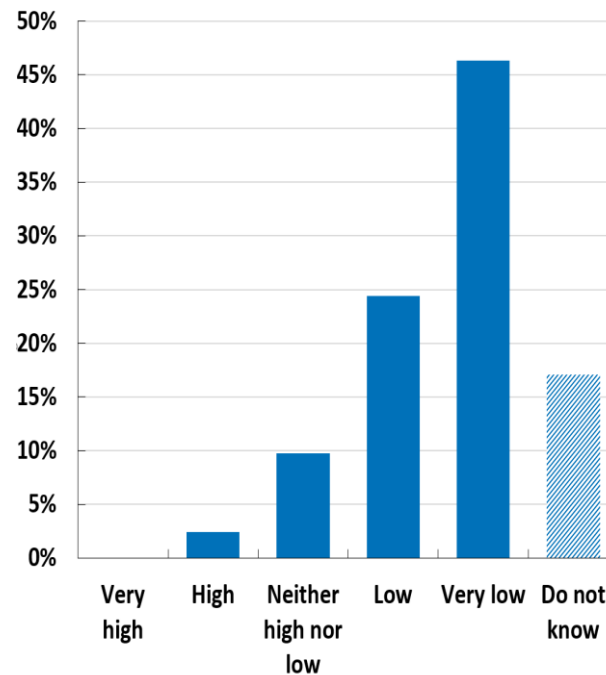


Improving bond market functioning

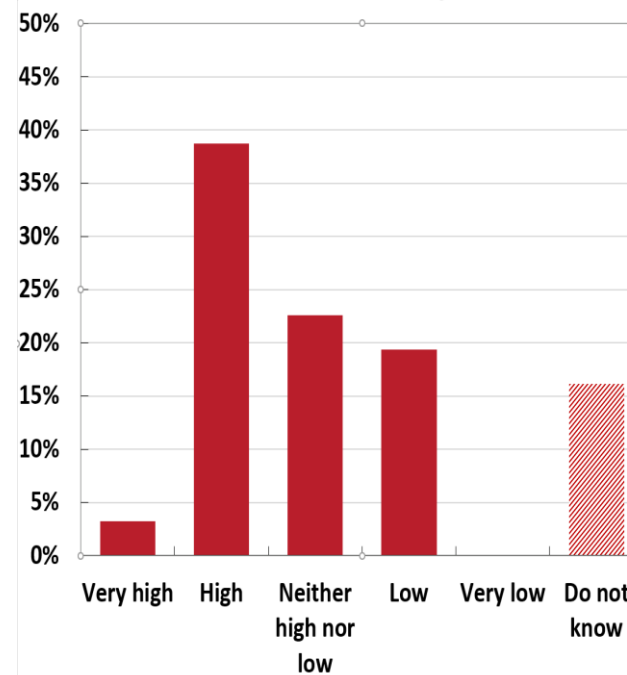
How do you currently assess market liquidity in the secondary market for nominal government bonds?

Financial markets survey, percentage of responses

autumn 2022

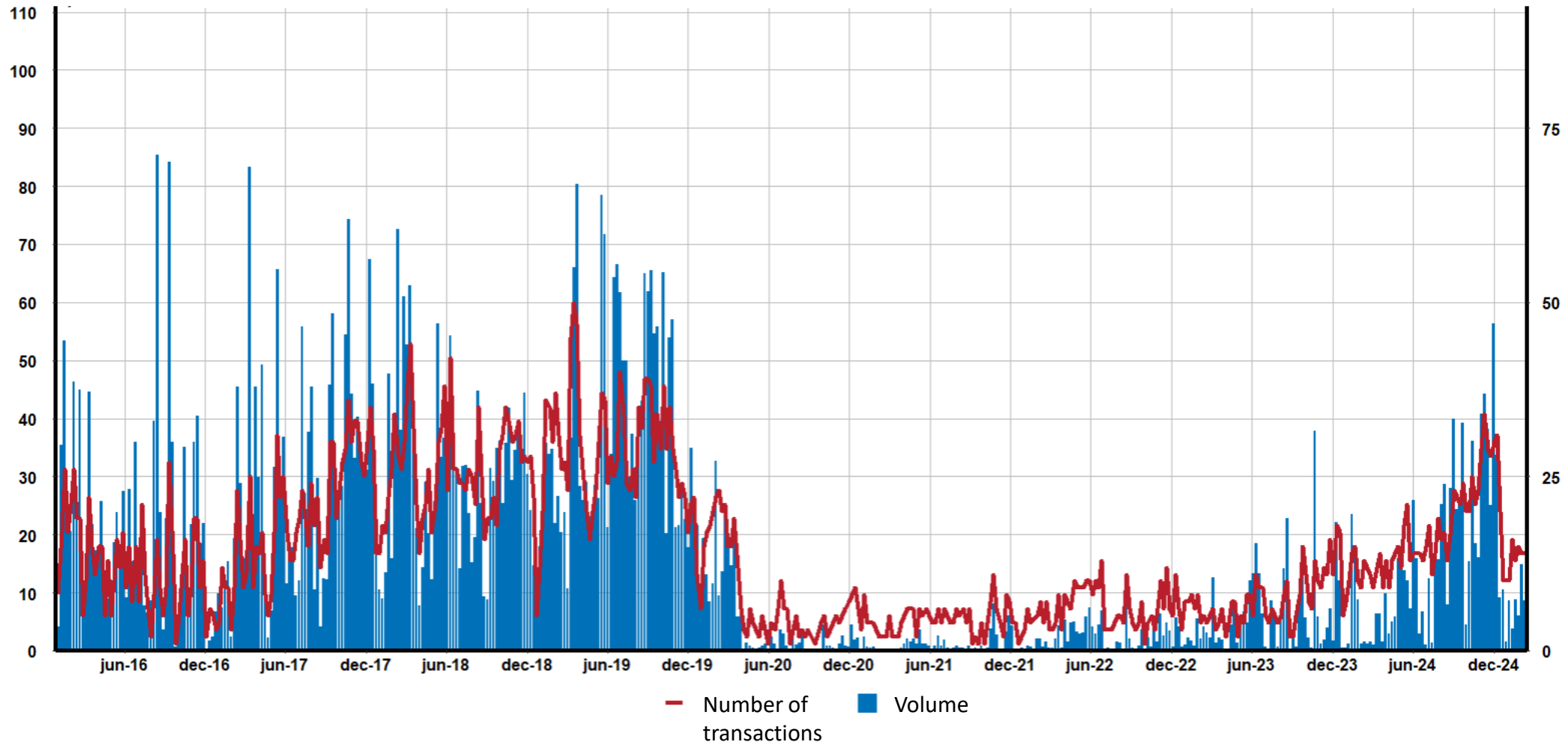


spring 2024



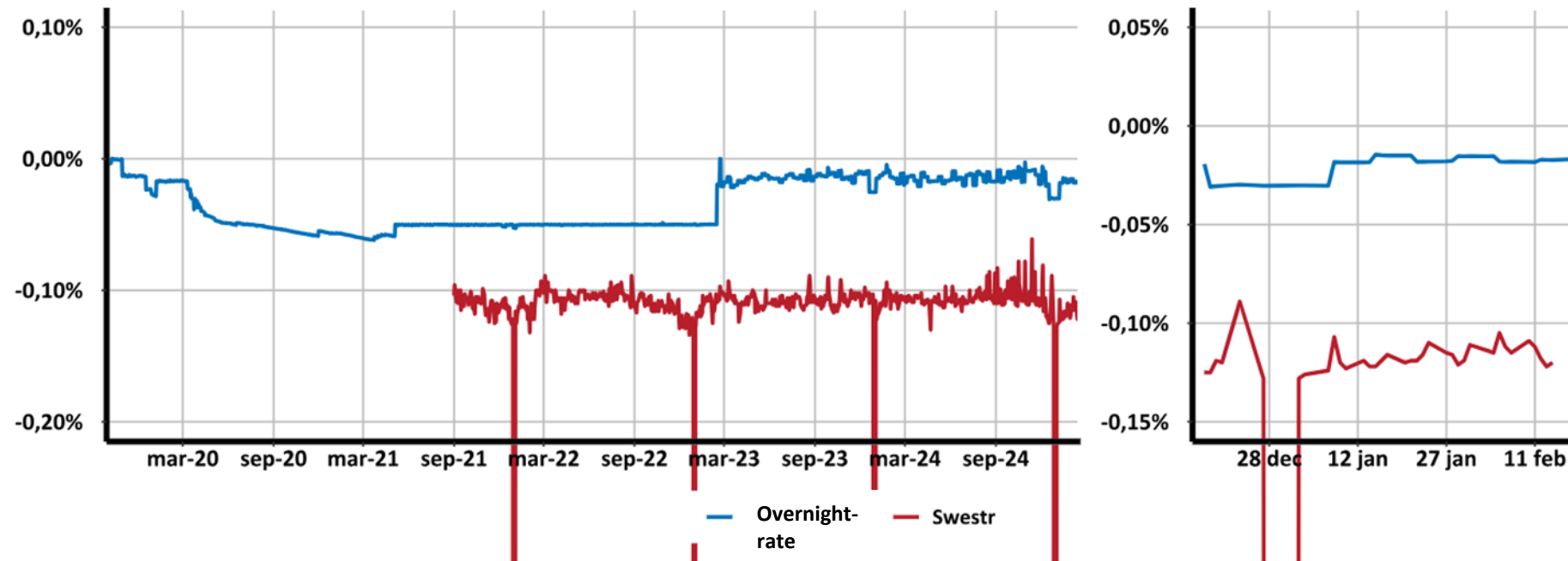
Interbank market activity has improved

Interbank unsecured O/N-transactions, bn SEK (LHS) and number of transactions (RHS)



Short-term interest rates follow the policy rate well

Deviation in overnight interest rate and Swestr from the Policy rate
Percentage points



Keys to prevent frictions when central bank reserves are diminishing

- Standing facilities – including lending – are in the tool box of a bank's daily liquidity management. No drama in using standing facilities.
- Ensure operational ability within banks:
 - Provide collateral and use the Riksbank's lending facilities when needed
 - Actively participate in clearing in the overnight market

Implicit SEK-rate from USD T/N, difference against policy rate
Percentage points

