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CONTACT Tomas Lundberg, Press Officer, tel. +46-8-787 02 15

SVERIGES RIKSBANK  
SE-103 37 Stockholm  
(Brunkebergstorg 11)

Tel +46 8 787 00 00  
Fax +46 8 21 05 31  
registratorn@riksbank.se  
www.riksbank.se

## ■ Banks have managed well in protracted slowdown, but resilience is declining

The banks have managed well to date in the protracted economic slowdown. This is the assessment made by the Riksbank in its Financial Stability Report, published today. Despite some deterioration in borrowers' ability to pay, bank profitability continues to be satisfactory, though somewhat weaker than earlier, and loan losses are low. The relatively good level of profitability equips the banks to manage the delay in the economic upturn envisaged by the Riksbank during the spring. However, if profitability continues to decline, the banks' possibilities to absorb unexpected losses will be eroded. A more prolonged period of low economic activity or large loan losses from a particular sector or a major borrower could impose considerable strains on the banks.

A process of integration and harmonisation of securities and payment markets is currently in progress in Europe. The driving forces behind this development are greater efficiency and economies of scale in the administration of transactions, which in itself could entail positive effects for society. However, from the point of view of stability in the financial markets, the dependence on a smaller number of systems could lead to increased vulnerability in the event of disruptions.

In addition to the Riksbank's assessment of the stability of the financial system, the report also contains two articles. The first contains an analysis of whether the major Swedish banks are necessary on an individual basis for the functioning of the payment system. If one of the four major banks were to fail without the other banks being affected, it would not necessarily comprise a major threat to the payment system. This conclusion is important in the discussions on possible central government support in the event of a crisis arising.

The second article contains an analysis of the consequences of a possible Swedish membership of the Eurosystem for financial stability in Sweden.



- A press conference with Deputy Governor Lars Nyberg and Martin Blåvarg, Deputy Head of the Financial Stability Department, will be held at 2 p.m. today in the Riksbank, entrance from Brunkebergstorg 11. Press cards must be shown.

The Report can be downloaded from the Riksbank's website, under the headings Publications/ Financial Stability Report, or ordered via e-mail, [forradet@riskbank.se](mailto:forradet@riskbank.se); fax, +46 8 787 05 26; or tel., +46 8 787 0100. It can also be collected from the Riksbank entrance, Brunkebergstorg 11.