



PRESS RELEASE

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■ The Riksbank presents new Financial Stability Report

Currently, there is nothing to indicate that the Swedish banks will have any serious problems with loan losses or profitability in the coming two years. Economic growth is expected to remain firm both in Sweden and abroad, and the banks' borrowers in general are displaying a good ability to service debt. The banks' profitability also has improved since the previous Report. In an international perspective, long-term interest rates are low and credit spreads narrow, and a fast correction of these conditions cannot be ruled out. However, the financial market turbulence that could result from such a correction is expected to have a limited impact on the Swedish banks.

In the past decade, house prices have risen rapidly in Sweden and many other countries. This has given rise to a debate on the sustainability of these price increases and on the potential effects of a price fall. In an article in this Report, the Riksbank tests how a number of explanatory factors have contributed to the developments in Swedish house prices. The models show that Swedish house price developments essentially can be explained by low interest rates, increasing disposable incomes and low construction activity.

The fact that mortgage interest rates are unusually low at present raises the question of what impact higher interest rates could have on house prices. According to the models tested in the article, the rise in house prices will weaken if interest rates increase in line with market expectations.

A press conference with Deputy Governor Lars Nyberg; Martin Andersson, Head of the Financial Stability Department; and Mattias Persson, Head of the Macroprudential Division at the same department, will be held today at 11 a.m. at the Riksbank, entrance at Brunkebergstorg 11. Press cards must be shown.

The Report can be downloaded from the Riksbank's website, www.riksbank.se, under the links Published/Publications/Financial Stability Report, or ordered by e-mail, forradet@riksbank.se, fax: +46 8 787 05 26 or telephone: +46 8 787 00 00. It is also available at the Riksbank's main entrance at Brunkebergstorg 11.