



PRESS RELEASE

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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

■ Riksbank presents new report on financial stability

The prospects of the financial system managing potential shocks are good. The assessment is that the major Swedish banks' capacity to manage unexpected losses will remain strong over the coming one to two years. This is the conclusion of the Riksbank in its Financial Stability Report, which is published today. The banks' profitability has improved, primarily due to increased stock-market turnover, growing volumes of credit and low loan losses.

However, the Riksbank does call attention to two issues that do not appear sustainable in the longer run. One is that the prices in the commercial property market are currently based on expectations of rents showing stronger growth in future than they are now. If these expectations are not fulfilled, there could be price falls and problems for property management companies to service their debts, as well as the collateral for loans declining for value.

Another element is the rapid rate at which house prices and household debt are rising. Although households appear able to service their debts, a situation where annual increases in debt and house prices average 10 per cent is not sustainable in the longer run. The Riksbank's calculations indicate that the house price increases and household indebtedness will slow down over the coming years, if interest rates develop in accordance with market expectations.

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

The Report can be downloaded from the Riksbank's website, www.riksbank.se, under the heading Published/Publications/Financial Stability Report, or ordered via e-mail, forradet@riksbank.se, fax +46-8-787 0526 or tel. +46-8-787 0000. It may also be collected from the Riksbank's main entrance, Brunkebergstorg 11.