



# PRESS RELEASE

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## ■ Financial stability is sound, but the risks have grown

*The Riksbank assessment is that at present, financial stability in Sweden is sound. But the resilience to unexpected negative events has decreased to some extent in the past six months. The Riksbank presents its assessment in the Financial Stability Report, which is published today.*

### **The banks' resilience is sound but is somewhat lower than before**

The Swedish banks are financially strong and their profitability is favourable. Moreover, their borrowers – households as well as firms – are generally in a good position to service their loans. The Riksbank therefore considers that the banks' resilience to negative and unforeseen events is sound.

But resilience is somewhat lower than six months ago. This mainly has to do with the banks' increased credit risk. A rapid expansion of lending has been accompanied by decreased lending margins. The growth of lending has occurred in particular to borrowers abroad, mainly in the Baltic countries. In order to assess the banks' credit risk, the Riksbank has carried out two stress tests. One of them indicates how the banks would be affected by a pronounced economic slowdown in the Baltic countries. The other shows how the banks would be affected by a general deterioration in credit quality. Both tests show that at present the banks have comfortable margins for coping with such a development, but the buffers have narrowed somewhat.

### **Surrounding risks have grown**

At the same time there are a number of surrounding risks that in time could disturb financial stability. The risks in financial markets have grown. Since the summer, financial markets have been turbulent and banks in other countries have encountered major problems. The unrest has also affected Sweden but to a lesser extent than many other countries. A restoration of market confidence will take time and the risk of greater financial turmoil is not negligible.



■ There has also been an increase in the risks from the Baltic countries because the probability of a pronounced economic slowdown there is now higher than before. A sharp downturn could mean that borrowers in the Baltic countries encounter debt-servicing problems. That entails a higher risk of loan losses for the Swedish banks with major operations in these countries.

As in previous Reports, the Riksbank draws attention to the risk of abrupt price corrections in the commercial property market. Another persistent risk is that house prices and household debt are continuing to rise at higher rates than household income. If this development lasts for a longer period, there is a risk of imbalances arising that could have negative effects on the real economy. Individual households with unduly high loan-to-value levels could then have difficulties in servicing their debts.

### **Tenth anniversary of reports on financial stability**

In a separate article the Riksbank marks the tenth anniversary of its reports on financial stability. The Riksbank was a pioneer in this field when it decided a decade ago to publish a comprehensive assessment of financial stability. The article describes a number of future challenges and their implications for the ongoing work on financial stability.

A press conference with Riksbank Governor Stefan Ingves, Deputy Governor Lars Nyberg and Mattias Persson, Head of the Financial Stability Department will be held at 11 a.m. today at the Riksbank. Entry via the bank's main entrance, Brunkebergstorg 11. Press cards must be shown. The press conference will be broadcast live on the Riksbank's website, [www.riksbank.se/](http://www.riksbank.se/).

The Report can be downloaded from the Riksbank's website, [www.riksbank.se](http://www.riksbank.se), or ordered via e-mail, [kontorsservicecenter@riksbank.se](mailto:kontorsservicecenter@riksbank.se), fax +46-8-787 0526 or telephone +46-8-787 0000. It may also be collected from the Riksbank's main entrance, Brunkebergstorg 11.