



# PRESS RELEASE

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## ■ Forceful measures to counteract the effects of the financial crisis

*"The global financial system has been shaken to its foundations since the middle of September. Even countries like Sweden, far from the centre of the crisis, are now tangibly affected by the crisis. The Riksbank, other authorities, the Riksdag and the government are taking forceful measures to minimise the damage to the economy as a whole," says Governor Stefan Ingves in a speech given at the Riksdag Committee on Finance hearing today.*

A small, export-dependent economy like Sweden's cannot be unaffected by world economic activity and what is happening in the global financial system. These developments are significant both to the stability of the financial system and to monetary policy. If one does not forcefully counteract the crisis, there is a risk that it will have a strong impact on inflation and growth. To alleviate the effects on economic activity and at the same time to attain the inflation target, the Riksbank has cut the repo rate by a total of 1 percentage point, to 3.75 per cent, since the beginning of October.

But solving the problems in the financial markets requires other measures in addition to monetary policy. For example, the Swedish banks have been offered extended scope to borrow from the Riksbank. In addition, the Riksbank has granted special liquidity assistance, against collateral and at an interest rate that is higher than the normal borrowing cost. Bank support legislation has been drawn up and at the beginning of the week the Swedish National Debt Office took over ownership of Carnegie Investment Bank AB.

It is important to remember why this type of measure is implemented. It is a question of ensuring that the financial system functions and of minimising the damaging effects of the financial crisis. It is not a case of saving banks and bank management for their own sake or the sake of their shareholders. The Riksbank, other authorities and the political system are acting quickly and forcefully to minimise the costs to society as a whole. The Riksbank will continue to take the necessary measures to safeguard financial stability.