

Financial turbulence – light at the end of the tunnel after weekend meeting in Washington

Stefan Ingves, Governor, Sveriges Riksbank

The fact that the world's finance ministers and central bank governors were able to agree at the weekend on a five-point plan to restore confidence in the financial markets is a major success. All of the member countries of the International Monetary Fund have agreed to use every available means to support systemically-important banks and financial institutions. All of the governments and central banks have committed themselves to ensuring that banks and other financial companies have access to both long-term and short-term credit. In addition, the governments and central banks will ensure that banks and other financial companies have the capital necessary to enable lending to companies and households and thereby recreate confidence.

The agreement reached this weekend also entails all countries ensuring that their national deposit guarantee systems are sustainable and consistent. All savers should feel that their assets in various accounts are safe and secure. The government agencies in all countries shall also take the measures considered necessary to encourage secondary markets in different securities, for instance, mortgage bond markets.

The finance ministers and central bank governors are also agreed that the International Monetary Fund, IMF, shall play a central role in coordinating the continued process of re-establishing confidence in the global financial markets, partly by lending to assist countries with payment problems and partly by functioning as a platform for discussions with regard to what should be done to avoid similar crises arising in the future.

These measures should help improve confidence in the financial markets and we are now seeing the light at the end of the tunnel with regard to the ongoing financial crisis. However, it will take time to implement all of the measures required at a national level in the various countries. Sweden supports the five-point plan. For our part, it means that the Government, the Riksbank and other government agencies concerned will implement the measures considered necessary.

The Riksbank has taken a number of measures at regular intervals in recent weeks to facilitate the supply of credit and improve the functioning of the financial markets. We will continue with this until confidence has been restored and the supply of credit to companies and households is once again functioning normally.