

Press Release

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Marginal effects of the share price fall on the Swedish economy

The information currently available to the Riksbank suggests that the effects of the recent stock market events on the Swedish economy will probably be no more than marginal, says Riksbank Governor Urban Bäckström in a statement.

During October share prices on the Stockholm Exchange fell approximately 10 per cent. Bourses in other countries have also fallen. Moreover, the financial difficulties in Southeast Asia during the summer and autumn suggest that economic development there will be weaker. How will this affect the Swedish economy?

The first thing to note is that the financial system seems to have coped with the share price fall without any dislocations. While we do not know whether the stock market adjustment is over, it can be said that Sweden's economy and financial system are well equipped to manage stock movements of this type. The stability of the financial system is one reason why this autumn's events will probably not have any appreciable negative repercussions in the real economy.

One then has to consider whether the effects of weaker exports to Southeast Asia, of lower asset values and of any uncertainty among households in the light of what has happened, will have an appreciable conjunctural impact.

Southeast Asia has admittedly been taking a growing share of Swedish exports in recent years but the level is still not more than around 10 per cent. But some effect on exports cannot be ruled out.

The real economy could conceivably be affected via the impact of the share price fall on household wealth. This might tend to weaken private consumption, though it should be noted that even after the recent fall, the level of share prices is higher than at the beginning of the year.

The Riksbank will have occasion to return to this matter in connection with the inflation report in December.

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