

Press Release

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Stability satisfactory even with international financial turbulence

The stability of Sweden's financial system is satisfactory, notwithstanding the turbulence in international financial markets and the fact that property prices are rising in a way which resembles the development in the late 1980's. This assessment is contained in this year's second Financial Market Report, which the Riksbank is presenting today.

Bank lending to households is rising comparatively strongly but in relation to the upward cyclical phase and households' ability to pay, the growth rate is hardly unduly high. Lending by the bank groups to the corporate sector is rising moderately and therefore does not seem to involve a threat to stability from a build-up of risks. This is accompanied by a comparatively rapid increase in property prices but as a fairly large part of the price rise can be explained in terms of fundamental factors, it need not entail problems for the banks. At the same time, it is in the property sector that the risk indicators point to a need of heightened attention.

The Swedish bank sector's exposures to countries with financial problems are comparatively small, though loan losses have risen during the third quarter of 1998. There is therefore not a large risk of the Swedish bank sector encountering more substantial difficulties with loan losses in problem countries, at least as long as the crisis does not continue to spread.

The Swedish banks' exposures in interbank financial trading could be more of a problem. The heaviest risks in this context are counterparty and settlement risks. It is via these risks that problems in one bank are liable to spread to other banks. The Swedish banks risk incurring serious losses if problems were to hit one of their principal counterparties. The risk of the international financial crisis striking Swedish banks in this way is perhaps greater than the risk inherent in the banks' direct exposures to the problem regions.

The Riksbank's role regarding the management of the Year 2000 problem in the financial sector is also described in the report.

A press conference, attended by Governor Urban Bäckström, Deputy Governor Stefan Ingves and Martin Andersson, head of the Financial Systems Division, is to be held today at 1 p.m. in the Riksbank. Admission by press card at No. 7 Malmskillnadsgatan.

Copies of the Report can be ordered on the Internet (www.riksbank.se), by e-mail (info@riksbank.se), fax (Int. +46 8 787 05 26), and telephone (Int. +46 8 787 01 00) or collected from the Riksbank entrances at 7 Malmskillnadsgatan and 11 Brunkebergstorg. The Report is also accessible on the Internet (www.riksbank.se) in HTML as well as PDF format; it can be downloaded electronically in the latter format.

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