

Press Release

28 OCTOBER 1999 NO. 71

Stability in the financial system is good, although there are some tendencies to risk build-up

The Swedish financial system is stable, although some build-up of risk has taken place during the past six months. This is the assessment made by the Riksbank in the Financial Stability Report presented today. The Riksbank continually monitors stability in the financial system and presents its assessment twice a year in the Financial Stability Report.

In today's economic situation there is little risk that the banks will be affected by extensive loan losses. The Riksbank is therefore focusing on assessing indications of the build-up of risk, which can lead to more substantial loan losses at the banks in a cyclical downturn.

The risk in banks' lending to households is deemed to have increased due to increased indebtedness in relation to disposable income and increased housing prices. Historically the household sector has only caused minor loan losses for the banks, however, so this risk should not be overemphasised.

Prices of apartment blocks in metropolitan regions have increased greatly, which indicates an increased risk with regard to banks' lending to the real estate sector. The concentration to the metropolitan regions means, however, that the risk for extensive loan losses is smaller for the banks if the price trend should reverse.

The report also describes:

- the reasons why the Riksbank does not expect that the millennium transition will cause any serious disruptions in the Swedish financial system,
- the risks associated with the decline of the banks' underlying earning capacity, and
- the risk for contagion effects between the banks.

A press conference with Deputy Governor of the Riksbank, Lars Nyberg, and Martin Andersson, Head of the Financial Systems Division, will take place today at 10 am at the Riksbank, Malmskillnadsgatan 7 entrance. A press card is required.

The Financial Stability Report can be ordered from Information Riksbank; e-mail: info@riksbank.se, fax: +46 8 787 05 26 or telephone +46 8 787 01 00. The Report is also available on the Riksbank's website, www.riksbank.com under Publications/Financial Stability Report.

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