

Press Release

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Financial Stability Report 2000:1

The stability of the financial system is good, although there are tendencies towards a build-up of risk that could lead to problems when the economic climate changes. However, these tendencies are currently not of a nature that requires any intervention. This assessment is made by the Riksbank in its Financial Stability Report, which is presented today.

The positive earnings trend in 1999 leaves the banks well equipped to deal with for example a deterioration in the economic climate or a fall in asset prices. However, planned reductions in capital adequacy could undermine the buffer that needs to be built up in times of plenty to deal with losses in less favourable economic conditions.

The risks involved in banks' lending to households, which were pointed out in the previous report, are estimated to have increased further. Lending to households is governed to a large extent by rising prices for housing, but credit granting for other purposes also seems to have increased. However, this increase in lending constitutes a risk for individual households, rather than threatening the stability of the financial system. Neither are there any signs of any great build-up of risk in lending to the corporate and property sectors.

The exposures that exist between financial institutions are one of the fundamental reasons why problems in one institution can spread to others, i.e. give rise to systemic risk. In the opinion of the Riksbank, it is therefore a mistake that these exposures are largely exempted from the current regulatory framework. The Riksbank will take the initiative for discussions with Finansinspektionen, the Swedish financial supervisory authority, and the Ministry of Finance on tightening up the regulations for large exposures.

The report also describes the possible measures that can be taken by the Riksbank and other public authorities in the event that developments appear to be leading to an excessive build-up of risk in the banking sector. In this case the Riksbank would firstly clarify its opinion publicly and directly to the banks. The Financial Stability Report is one part in this work. If the situation were judged to be especially serious, other measures may also be taken. However, there is currently no need for these.

A press conference with Deputy Governor Lars Nyberg, Martin Andersson, Head of the Financial Systems Division, and Martin Blåvarg will be held today at 10.00 am in the Riksbank. Admission by press card via the entrance at 7 Malmskillnadsgatan.

The report can be ordered via the Internet (www.riksbank.se), by e-mail (info@riksbank.se), fax (+46-8-787 05 26), telephone (+46-8-787 01 00) or collected from the Riksbank entrances at 7 Malmskillnadsgatan and 11 Brunkebergstorg. The report can also be read on the Internet (www.riksbank.se).

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