

# Press Release

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## Financial Stability Report 2001:1

*Profitability in the major Swedish banks has fallen slightly during recent quarters, but they appear well equipped to deal with the potential effects of an economic slowdown. The banks should also be able to manage a more severe downturn in economic activity, in the unlikely event of this occurring. The stability of the financial system is therefore good at present. This assessment is made by the Riksbank in its Financial Stability Report, which is presented today.*

Compared with the development in USA, both the economic slowdown and the stock market fall in Sweden occurred at an earlier stage in the economic cycle. Neither investment, indebtedness nor the deficit in financial saving had grown to notable levels.

Although indebtedness in the household sector has continued to rise, the current level does not appear particularly remarkable, compared with the levels prevailing prior to the crisis in the 1990s. Moreover, interest rate costs are low in relation to disposable income, which means that it would require substantial falls in income or large rises in interest rates before the household sector were to suffer widespread payment problems. Indebtedness in the corporate sector is also at a relatively low level, despite increased borrowing.

Commercial property prices in the metropolitan areas continued to rise during year 2000, but current prices in real terms still comprise only two-thirds or so of the price levels when the property crisis broke out in 1990. In addition, prices have developed more on a par with rent increases during recent years than was the case prior to the property crisis.

A special section of the report deals with liquidity and liquidity risks in the banking system. Liquidity problems can arise in banks for a number of reasons, such as errors in forecasting, disruptions in technical systems or serious disturbances on important financial markets. However, the risk of liquidity problems causing serious problems to a major Swedish bank is slight, if the bank does not also have real or perceived solidity problems.

A press conference with Deputy Governor Lars Nyberg, Head of the Financial Stability Department Martin Andersson, and Head of the Division for Financial Stability Analysis Martin Blåvarg, will be held at 10.00 am today at the Riksbank, entrance Brunkebergstorg 11. Press cards must be shown

The report can be ordered via the Internet ([www.riksbank.se](http://www.riksbank.se)), e-mail: [forradet@riksbank.se](mailto:forradet@riksbank.se), fax: +46-8-787 05 26), telephone: +46-8-787 01 00) or picked up from Brunkebergstorg 11. It will also be published on the Riksbank's website: [www.riksbank.se](http://www.riksbank.se) under the heading Publications/Financial Stability Report.

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