

Press Release

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Continued stability in the financial system, despite deterioration in economic activity

The grave terrorist attack against the USA increased the uncertainty regarding future global economic activity. However, it is assumed that a further downturn in economic activity would comprise no threat to the stability of the Swedish banking system, even if it were to prove more profound than expected. This is one of the conclusions in the Riksbank's second Financial Stability Report of the year, which is published today.

The Swedish banking system is now significantly better equipped to meet a deep recession than it was prior to the bank crisis at the beginning of the 1990s. The lending portfolios are more diversified and the quality of the portfolios is better, as a result of a more developed credit risk management. The banks also have a broader earnings base than before, mainly through larger commission income. In addition, the increase in lending that is taking place now is more moderate than that at the end of the 1980s, and the borrowers are less vulnerable. Both the corporate sector and the household sector show a good ability to pay and lower indebtedness. Property prices are also showing a more balanced development, as there is less of a speculative element than prior to the crisis of the early 1990s. It would thus require a prolonged recession for the banks to suffer serious problems.

The Swedish banking crisis was very serious, and the financial system could be affected even if the banks did not experience losses as great as during that period. Profitability is currently under pressure, partly from declining commission income. If the weaker economic climate were to lead to an increase in loan losses, profitability would deteriorate further and the strategic risks could thereby increase. Counterparty risks for the banks have increased and a decrease in exposures between Swedish banks would be desirable to reduce the risks of contagion effects.

The report presents a section containing four special topics. One of these discusses the possible effects of the introduction of the third generation of mobile telephony on financial stability.

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

The report can be ordered via the Riksbank's website: www.riksbank.se, e-mail: forradet@riksbank.se, fax: +46 8 787 05 26, telephone: +46 8 787 01 00 or collected from Brunkebergstorg 11.