

Press Release

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The Swedish banks show good resistance with regard to the low level of economic activity

Profitability in the major Swedish banks is good at present, but has fallen and is now at the lowest level since the recovery from the bank crisis at the beginning of the 1990s. Dwindling margins, stagnating income and a slight increase in loan losses explain the deterioration. The fact that profitability has fallen could entail continued pressure on bank management to adapt their operations and strategies. This is the assessment made by the Riksbank in its Financial Stability Report, which is published today.

Although loan losses in the major Swedish banks increased over the past four quarters up to the end of March this year, the increase was from a low starting level. Loan losses remain low, despite the fact that the banks have continued to increase their lending in a situation where economic activity has weakened, borrowers' ability to pay has deteriorated and the number of bankruptcies has increased.

In addition to the usual analysis of developments in the major Swedish banks, the report also contains a special topic comparing the Swedish banks with a number of European banks. The aim of this comparison was to identify potential relative weaknesses with regard to profitability, efficiency and risk-taking in the Swedish banks. Among other things, the report also contains a discussion of the fall of the US corporation Enron, a description of the banks' management of market risk and an account of the development work on the future payment system.

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 1.30 p.m. at the Riksbank, entrance from Malmskillnadsgatan 7. Press cards must be shown.

The Report can be downloaded from the Riksbank's website, under the headings Publications/ Financial Stability Report, or ordered via e-mail, forradet@riskbank.se; fax, +46 8 787 05 26; or tel., +46 8 787 0100. It can also be collected from the Riksbank, Malmskillnadsgatan 7 entrance.

SVERIGES RIKSBANK

Telefon
08-787 00 00

Telefax
08 - 21 05 31

E-post
registratorn@riksbank.se

Internet
<http://www.riksbank.se>