

Press Release

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Uncertain economic situation entails lower resilience in the banking system

Since the Riksbank published its previous Financial Stability Report in May this year, business activity prospects have deteriorated in both Sweden and the rest of Europe, as well as the USA. There is a possibility that there has been a build-up of risk in various parts of the economy, as the Riksbank points out in its report on the stability of the financial system published today.

Uncertainty has continued to prevail in the financial markets and this is expected to continue over the coming months. There is a risk that negative surprises will have greater consequences in times of uncertainty. The report therefore focuses on the risk of a more prolonged slowdown in economic activity and how the banks and their various customer categories could handle such a situation.

The indications of an increased build-up of risk that can now be observed include developments in the commercial property sector in metropolitan areas, the level of household sector indebtedness, poor profit development in the corporate sector and the banks' declining profitability. No single individual area is estimated to constitute any serious threat to the banking sector. However, if developments should prove significantly worse than anticipated, they could together entail a threat to financial stability. It is therefore necessary to show greater watchfulness with regard to developments in these risk areas and how they may affect the banks.

The purpose of the Financial Stability Report is to describe the Riksbank's view of the situation within the financial system. In addition, the report contains three articles. The first of these indicates that the introduction of a central counterparty into the Swedish securities market would entail increased efficiency and a lower risk level. This would make the securities market more attractive to foreign investors. The second article describes the factors behind credit growth and to what extent this is an indicator of financial instability. The final article analyses the driving forces behind, and risks connected with, the major Swedish banks' large-scale international expansion, which entails considerable challenges for supervisory authorities and central banks.

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 at 2 p.m. today, 26 November, at the Riksbank, entrance from Brunkebergstorg 11. Press cards must be shown.

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