

# PRESS RELEASE



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## Continued elevated risks to financial stability

*The support measures implemented by governments, central banks and other authorities, both in Sweden and abroad, have ensured that the Swedish financial system has so far coped with the challenges of the pandemic relatively well. However, the risks to financial stability are still elevated. If the crisis now deepens and becomes more prolonged, further measures may be needed to support credit supply and safeguard financial stability.*

### **The coronavirus pandemic has left deep scars in the global economy**

The coronavirus pandemic has had a major impact on the global economy and GDP has fallen sharply in many countries. The corporate sector has been hit particularly hard and many people have lost their jobs. However, an economic recovery is underway and the situation now looks better on many important funding markets.

That the effects have not been greater and that the world has so far managed to avoid a global financial crisis is largely due to extensive fiscal policy stimulus programmes coupled with measures from central banks and other authorities.

### **From acute crisis to slight recovery in Sweden**

During the spring, the fall in Swedish GDP was very substantial and many people have lost their jobs. Bankruptcies increased particularly at the beginning of the crisis, but from low levels. Since then, the Swedish economy has recovered to some extent.

Overall, banks' lending to households and companies has been stable. Lending rates rose somewhat at the start of the crisis, and it was primarily large companies that were granted bank loans, while smaller companies found it more difficult to obtain funding than prior to the crisis. Since then, interest rates have generally fallen and lending to smaller companies has increased. The support



measures implemented both in Sweden and abroad have been an important part of this development.

### **Continued major uncertainty and elevated risks**

The increased spread of the coronavirus during the autumn means that restrictions and changes in behaviour will slow down an economic recovery in the near term, and that the number of bankruptcies in the corporate sector may increase significantly. In the longer run, however, the support measures could build up vulnerabilities. Countries and companies may, for instance, sharply increase their indebtedness.

The vulnerabilities that were in the financial system already prior to the crisis are also part of the risk outlook. They include weak banks and public finances in the euro area, the high level of indebtedness among Swedish households and large exposures to property among the major banks. These may both deepen and prolong the crisis.

### **The pandemic highlights the importance of good resilience in the financial system**

The coronavirus pandemic shows how quickly and unexpectedly the economic situation can change, and how important it is for the financial system to have good resilience to shocks.

Resilience therefore needs to be strengthened again once the economic situation permits. If banks use their buffers, they need to build up sufficient capital and liquidity again. It is also important that the internationally established regulations governing banks' capital and liquidity are not undermined.

Housing and tax policy measures are required to mitigate the risks associated with household indebtedness. At the same time, the exemption to the amortisation requirement for households should remain temporary. Furthermore, the shortcomings in the corporate debt market need to be addressed. It is particularly important to remedy the lack of transparency. Climate-related risks need to remain an important part of the supervision mandate and be integrated into the financial stability analysis.

A press conference with the Governor of the Riksbank, Stefan Ingves, and Olof Sandstedt, Head of the Financial Stability Department, will be held today at 11.00 at the Riksbank. Press cards must be shown. The press conference will be broadcast live on riksbank.se. Media representatives who are unable to attend in person, are welcome to ring in and take part by telephone. In that case, please contact our Press Office, tel. +46 (0)8 787 02 00.

Owing to the coronavirus, the following applies to visitors to the Riksbank: You must be in good health and been free of symptoms for at least two days. We are following the guidelines on keeping a distance and therefore have fewer seats in the conference room and request that no more than two people from each editorial office attend.