



Financial Stability Report

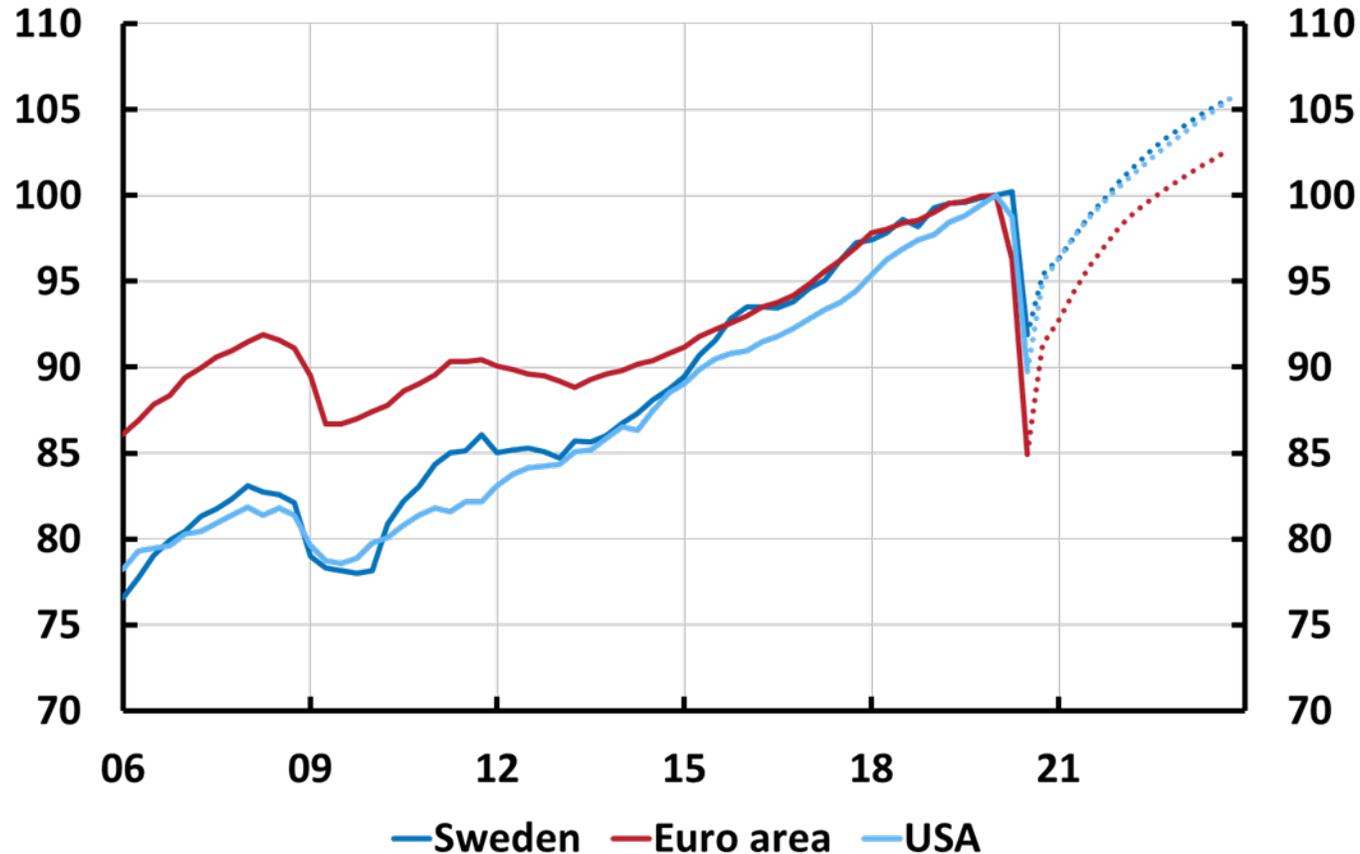
November 2020

S V E R I G E S R I K S B A N K

The implemented support measures have ensured that the financial system has so far coped with the challenges of the coronavirus pandemic relatively well

But there is considerable uncertainty and the risks to financial stability are elevated

The coronavirus pandemic has left deep scars, but the recovery is underway

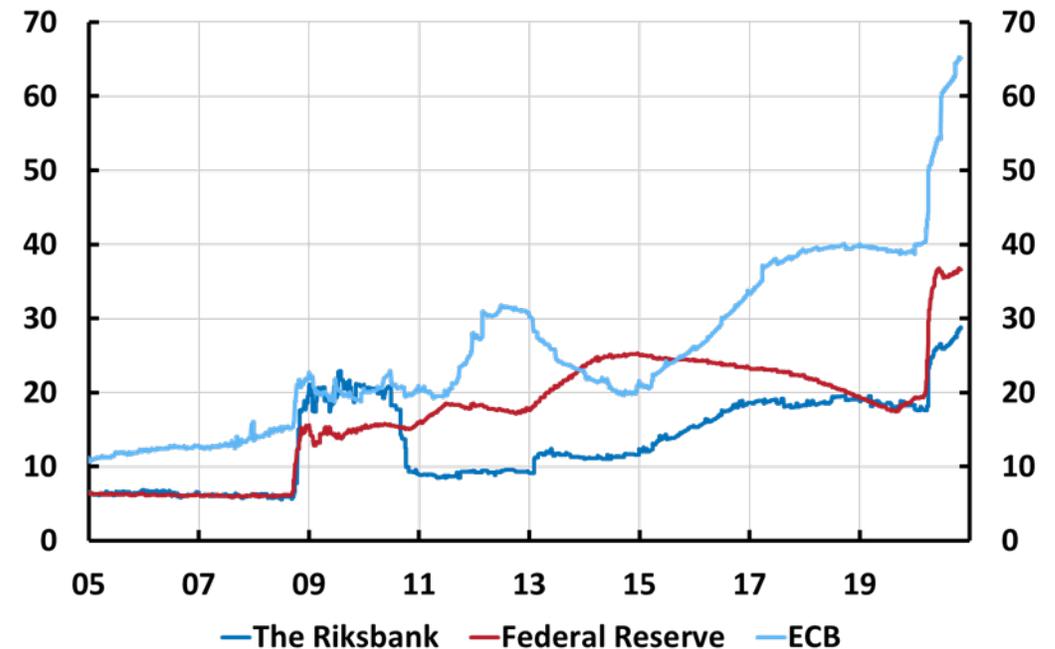


Note. Index 2019 Q4 = 100 The chart shows GDP developments in Sweden and abroad. The broken lines represent the Riksbank's forecasts from the Monetary Policy Report in September. Refers to seasonally adjusted data.

Sources: Eurostat, Statistics Sweden, the US Bureau of Economic Analysis and the Riksbank.

Unprecedented support measures have mitigated the effects

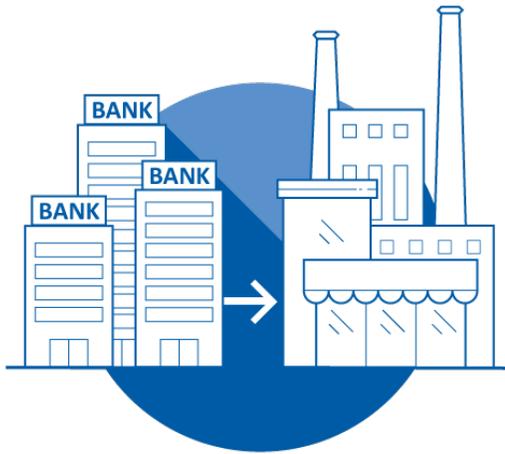
- Considerable fiscal policy stimulation from governments around the world
- Central banks have significantly expanded their balance sheets
- Lowering of buffer requirements and temporary easing of regulatory frameworks



Note. The chart shows the balance sheets of various central banks as a share of GDP.

Source: Macrobond

A combination of measures most effective to support the economy



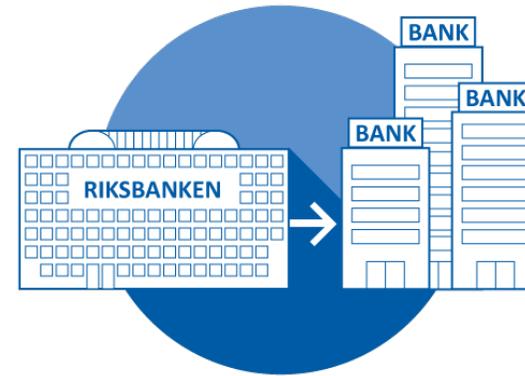
**Loans to companies
via banks**

SEK 500 bn
(165 bn)



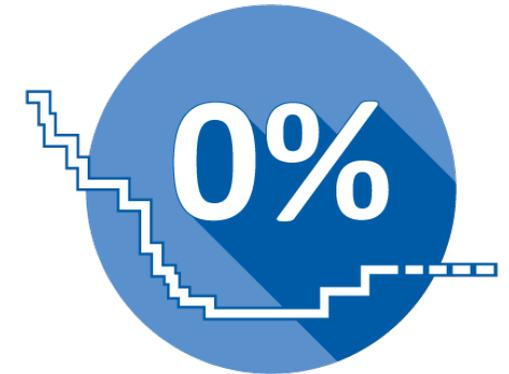
**Purchases of interest-
bearing securities**

SEK 500 bn
(261 bn)



**Increased access to safe
and liquid assets**

Unlimited SEK, 60 billion USD
(29 bn, 2 bn)

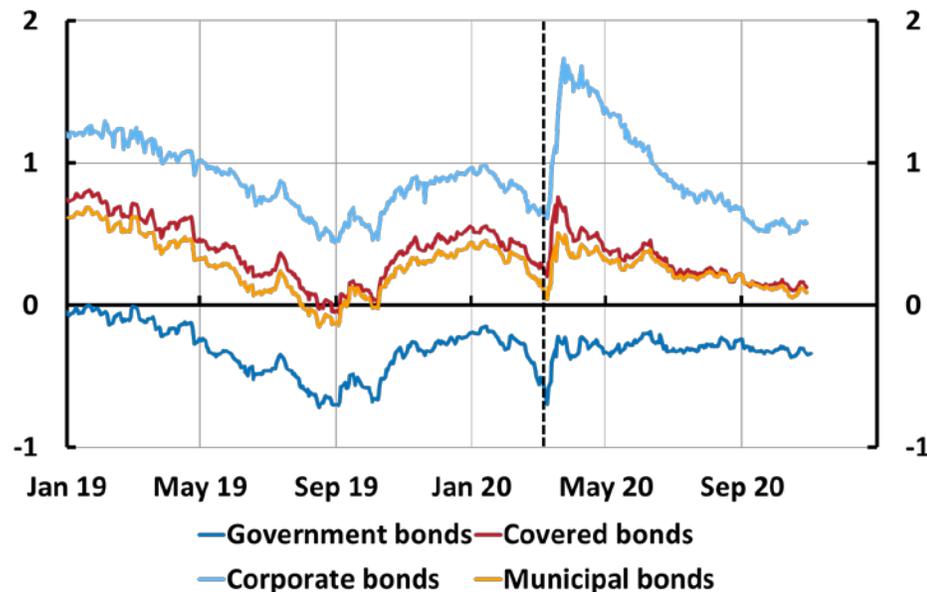


Repo rate 0%

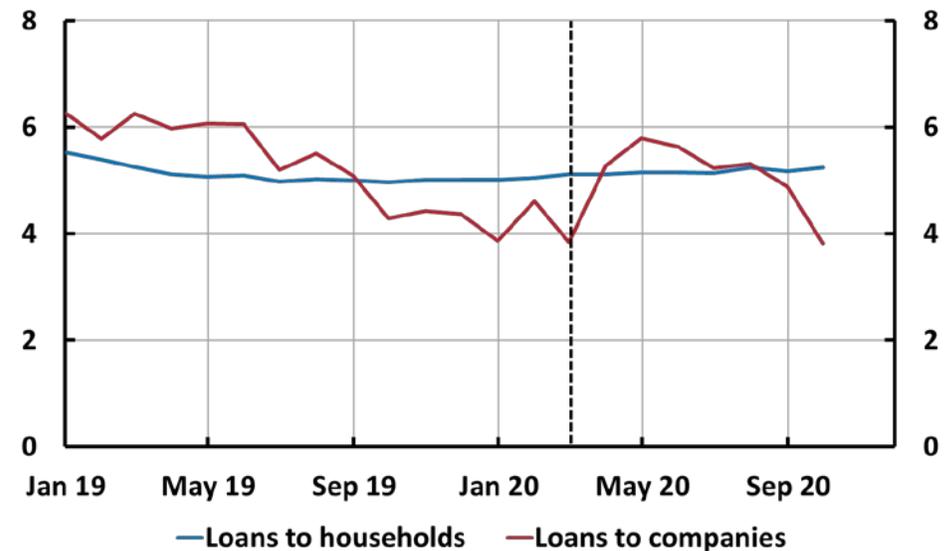
Note. Bold type denotes decided amounts. The figure in brackets refers to utilised amounts.

Lower interest rates and well-functioning credit supply

Interest rates have come down



Lending has been maintained

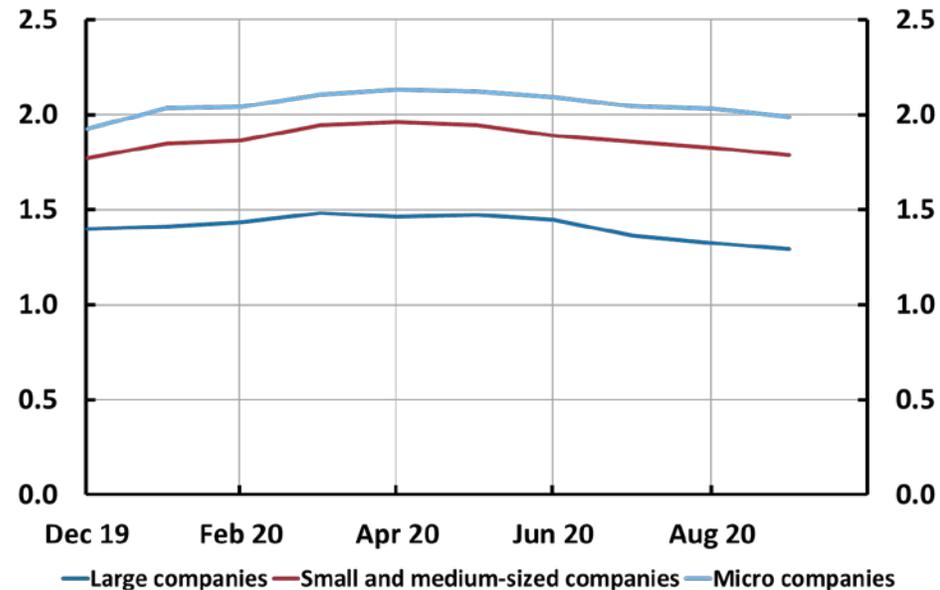


Note. Left: Per cent. Yields on Swedish bonds with 5-year maturities. The broken line in both charts represents the date (11 March) when the WHO declared COVID-19 to be a pandemic. The right-hand graph refers to growth in lending to households and companies from MFI. Annual growth in lending.

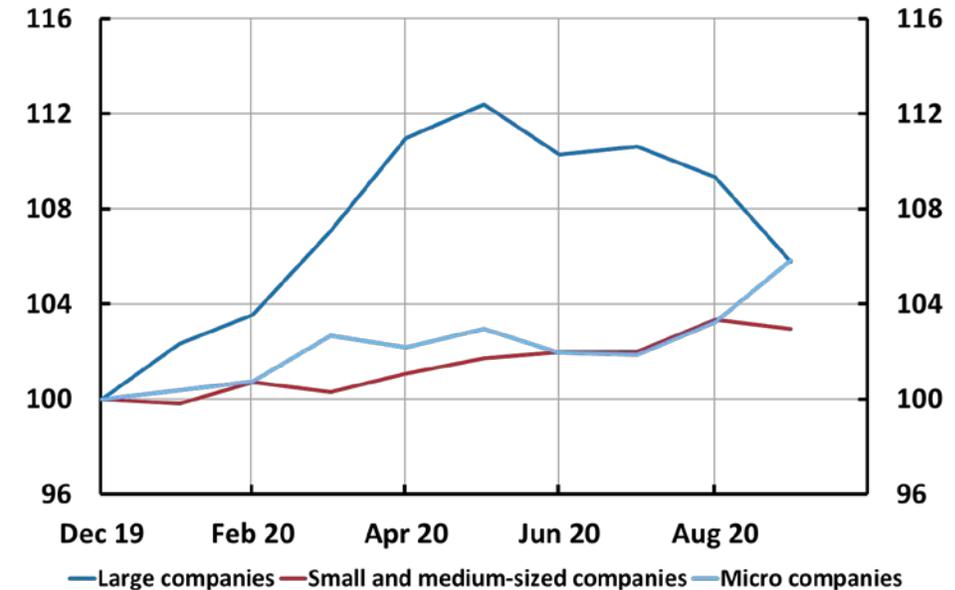
Sources: Macrobond, Statistics Sweden and the Riksbank

No clear signs of a credit crunch, but uncertain whether loans reach all companies

Lending rates rose to begin with, but have fallen back



Lending primarily to large companies rose to begin with

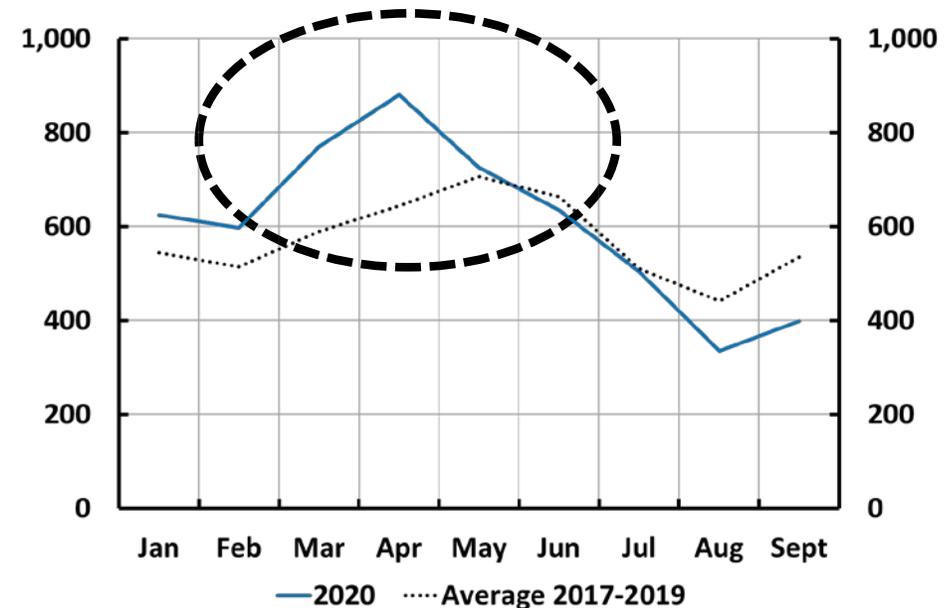


Note. Left: Per cent. Refers to interest rates on loans in all currencies. Outstanding loans. The interest rate refers to the volume-weighted mean. Excluding loans to housing cooperatives. Right: Index, December 2019=100. Refers to lending in all currencies.

Source: Statistics Sweden (KRITA) and the Riksbank.

Bankruptcies in the corporate sector increased to begin with, but have fallen back

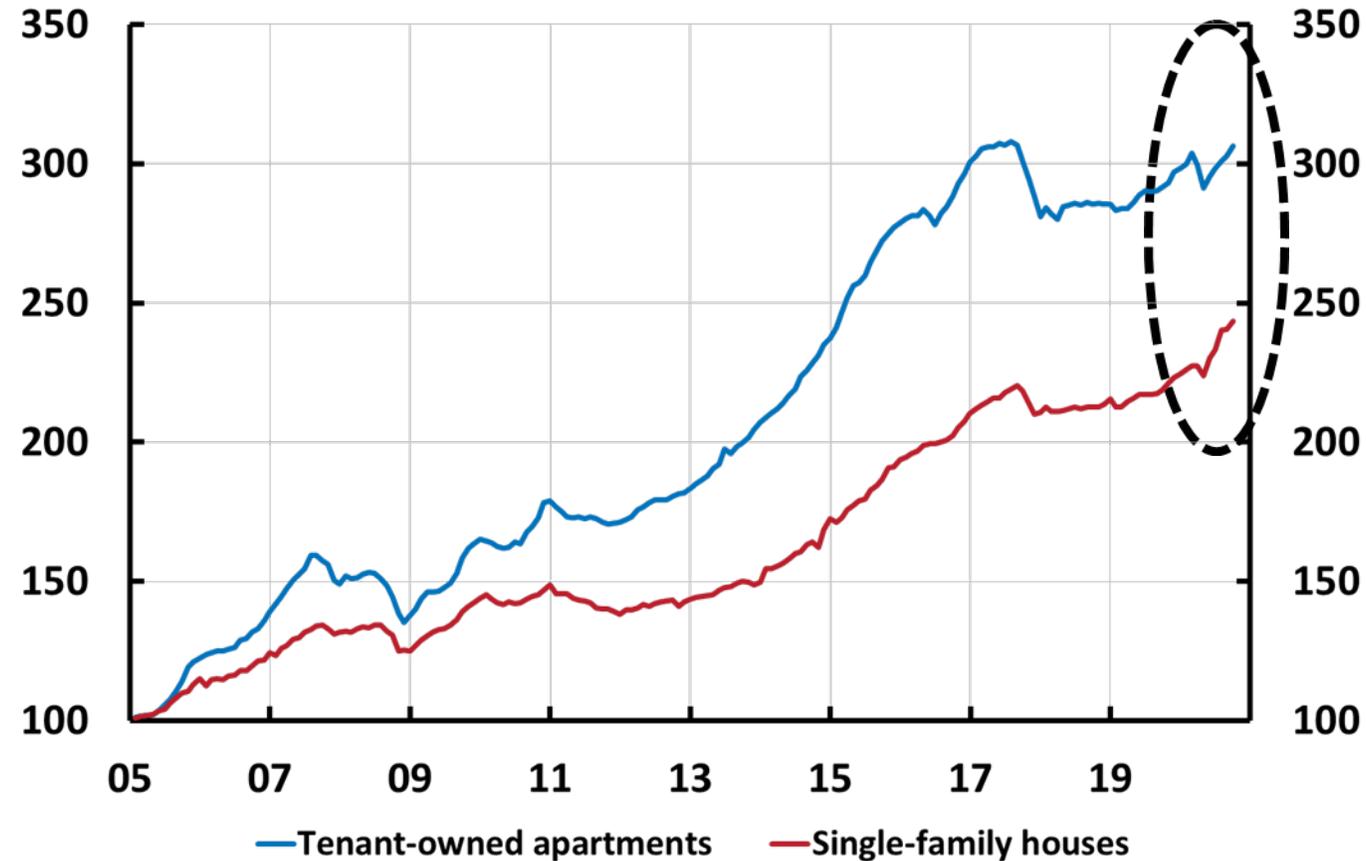
- Reduced revenue for many companies during the pandemic
- Companies in need of both loans and direct economic support
- Many companies that have gone bankrupt during the crisis were in a weak position to begin with



Note. Number of bankruptcies for all industries, sizes and forms of incorporation. The broken line represents the monthly average in 2017-2019.

Source: Statistics Sweden

Strong price growth on the housing market during the crisis



Note. Index, 2015=100. The chart shows housing price growth in Sweden. The prices have been seasonally adjusted.

Source: Valueguard and the Riksbank

The challenges of the pandemic have so far been managed, but the road ahead is very uncertain and fraught with risks

Risks in the short term

- Effects of increased spread of infection and more restrictions
- Bankruptcies may increase significantly regardless of the spread of infection
- Support measures can be withdrawn too quickly

Risks in the longer term

- Higher indebtedness for states and companies
- Agents always expect to be “saved”
- Negative real interest rates and low rates for longer



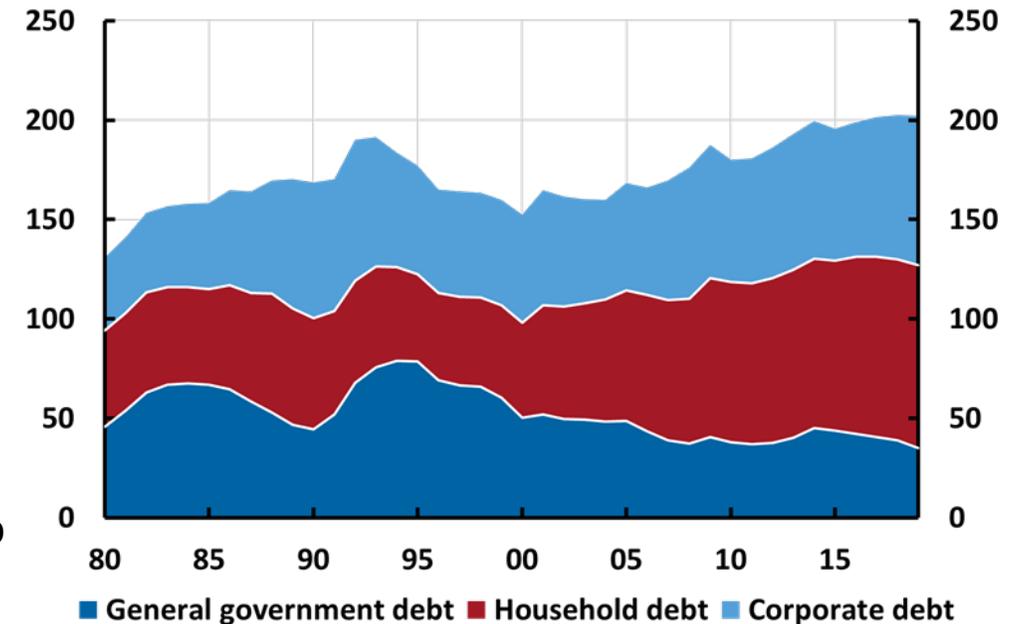
Vulnerabilities may deepen and prolong the crisis

Abroad

- Weak banks and public finances

Sweden

- Low government debt, but high indebtedness among households and companies
- Banks have substantial exposure to housing and commercial property
- A deeper and more prolonged crisis may lead to banks having trouble maintaining credit supply



Note. The chart shows debt in Sweden as a share of GDP.

Source: Statistics Sweden

The crisis is not over – important that policy areas cooperate and that buffers are used if necessary

Support measures required

- Fiscal policy more effective support for adversely affected sectors



Banks need to supply credit to companies and households

- Capital and liquidity buffers should be used if necessary
- Refrain from paying dividends to shareholders until further notice



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



When the economic situation permits, **resilience** should be strengthened again. Banks' buffers should be built up again if they are used. Established **regulatory frameworks** should be retained and not undermined.



Shortcomings on the **corporate bond market** must be resolved



Measures need to mitigate the **risks linked to household indebtedness**. The exception in the **amortisation requirement** must remain temporary.



Climate-related risks need to remain an important part of the supervision of financial institutions and be integrated into the monitoring of financial stability.

The implemented support measures have ensured that the financial system has so far coped with the challenges of the coronavirus pandemic relatively well

But there is considerable uncertainty and the risks to financial stability are elevated