

# PRESS RELEASE

DATE: 13 March 2020  
NO.: 7  
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## Riksbank lends up to SEK 500 billion to safeguard credit supply

*To avoid robust companies being knocked out as a result of the spread of the coronavirus, the Executive Board of the Riksbank has today decided to lend up to SEK 500 billion to companies via the banks. The aim is to maintain the supply of credit to Swedish companies. The decision was taken yesterday at an extraordinary monetary policy meeting. The Riksbank is in this way contributing together with other authorities to limiting the effects of the coronavirus pandemic. The Riksbank is prepared to take further measures and to supply necessary liquidity.*

The spread of the coronavirus has widespread humanitarian consequences and is affecting the Swedish and global economies to an increasing extent. This has led to considerable fluctuations on the financial markets.

The virus will undoubtedly have clearly negative effects on economic activity, although it is too early to say how large the consequences will be and how long they will last. To alleviate these consequences, it is essential that the credit supply to companies continues to function efficiently.

“The turbulence on the financial markets means that companies that are essentially robust may experience funding difficulties. It is then important that the banks continue to provide these companies with loans so that the credit supply is not threatened. The measures taken in this situation should be regarded as a form of insurance that enables Swedish companies – particularly small and medium-sized enterprises – to feel secure that the credit supply will not fail,” says Stefan Ingves.

### **Credit shortage should not be allowed to aggravate the economic downturn**

The Riksbank can act in various ways to limit the negative effects the pandemic has on the economy. At present, it is important that the credit supply in Sweden continues to function. If production and demand decline, companies' incomes will fall. This can lead to an increased need to borrow money to weather the turbulence. The financial market unease can also lead to the banks tightening their credit granting. All in all, this risks leading to robust companies being knocked out, which could have long-term negative consequences for production and employment in Sweden. Weaker demand in the economy will probably also mean that inflation falls.



### **Loans to the banks to secure onward lending to companies**

To avoid the shortage of credit causing a prolonged recession, the Executive Board of the Riksbank has decided to offer loans to the banks to safeguard the supply of credit to companies. The Riksbank is offering the banks up to SEK 500 billion against collateral for onward lending to non-financial companies operating in Sweden. This amount provides a significant buffer to cover companies' funding needs. In this way, the Riksbank will contribute to companies being able to meet the financial challenges resulting from the coronavirus.

To make the facility attractive to the banks, the loans will be granted at a variable interest rate equivalent to the Riksbank's repo rate, at present 0 per cent, and they will have a maturity of 2 years. The Riksbank will regularly follow up on the banks' lending to non-financial companies to ensure that the loans allocated to the banks are used to benefit the companies.

Economic developments and the situation on the financial markets, both in Sweden and other countries, are now changing very rapidly. Given this, the Riksbank is ready and prepared to take further measures and to supply necessary liquidity, even between the ordinary monetary policy meetings. All of the Riksbank's tools can be put to use. How the tools are used will depend on future developments.

Further information on the Executive Board's deliberations in connection with the decision and on the Riksbank's programme for corporate loans via the banks can be found in a separate annex to the minutes on the Riksbank's website, [www.riksbank.se](http://www.riksbank.se).

A press conference with Governor Stefan Ingves will be held today at 11.00 am at the Riksbank. Press cards must be shown. As the Riksbank is also working to limit the spread of the coronavirus, all visitors will be expected to answer a number of questions. Entrance to the bank may therefore take a little longer than usual. Visitors with symptoms similar to the common cold, even mild symptoms of respiratory infection, may not come to the Riksbank.

The press conference will be broadcast live on [riksbank.se](http://riksbank.se).