

Swedish perspective on the crisis

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Minister of Finance
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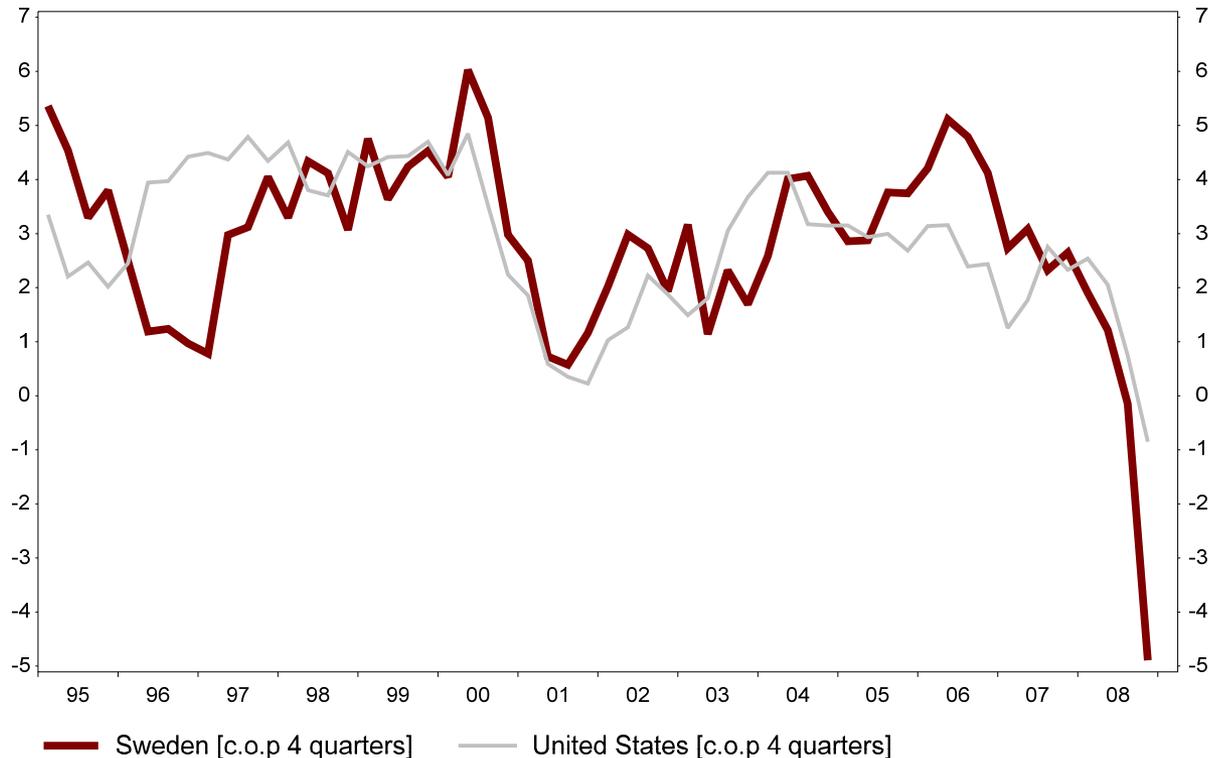
Agenda

- **Crisis diagnostic – Sweden and the US**
 - Developments in GDP, exports, industry production, real estate markets, TED spread and general government net lending
 - Exposure of Swedish Banks in the Baltic states
- **Solutions**
 - Sweden's response to the crisis
- **Long term challenges**
 - Increasing debt rates

Gross Domestic Product, Sweden and the US

Percent, 1995-2008

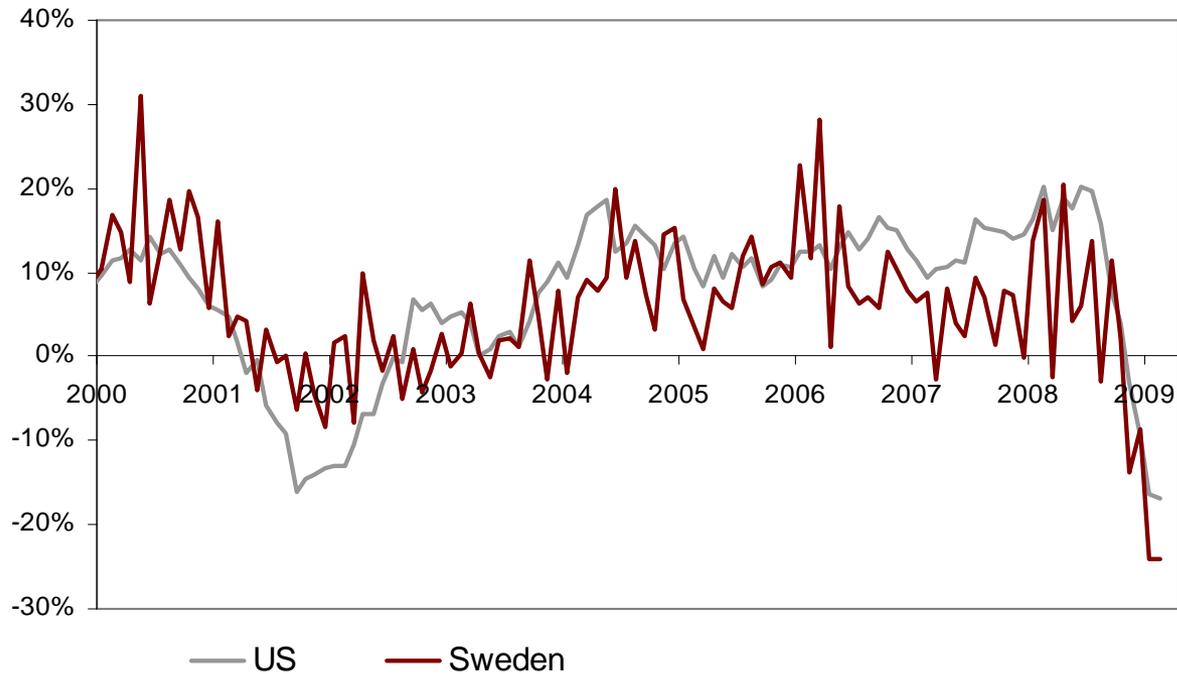
Gross Domestic Product



Source: Reuters EcoWin

Exports, Sweden and the US

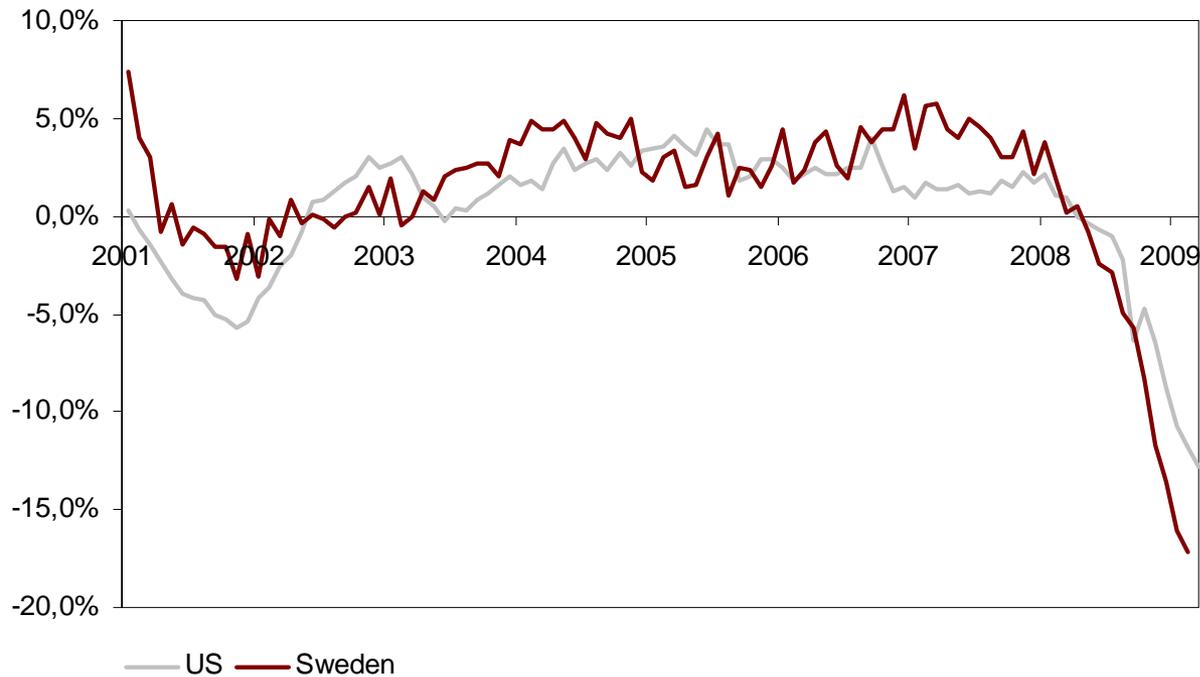
Percent, 2000-2009



Source: Reuters EcoWin

Production, Sweden and the US

Percent, 2001-2009



Source: Reuters EcoWin

The Government's aim

- **Mitigate the financial crisis**
- **Meet the economical downturn**
 - Automatic stabilizers
 - Expansionary economic policy
 - Measures should be in line with structural reform agenda
 - Temporary, targeted and timely measures
- **Uphold the sustainability of public finances, the welfare system and employment§**

The Government's Measures

- **Secure liquidity and deposits**
 - The Riksbank guarantees liquidity
 - Increased "guarantee of deposits"
 - A state guarantee scheme
- **Solutions for insolvent banks**
 - Stability fund, authorities and legislation in place
- **Capital injections to solvent banks**
- **Extended credits to enterprises**
 - guarantees to export credit authorities
 - increased lending to enterprises
 - support for the automotive industry
 - deferment of taxes

Framework for state support to banks based on experiences from the 1990's

- **Government Support to Credit Institutions Act gives the Government a broad mandate to take action**
- **Measures depend on status of the institution and the market:**
 - Guarantee scheme and recapitalization scheme for fundamentally sound institutions to support lending
 - National Debt Office to intervene if a financial institution should get into serious difficulties, state capital provided through preferred shares with strong voting rights
 - Possibility to take over ownership of institution with less than $\frac{1}{4}$ of regulatory capital
- **The measures that can be taken have been designed to safeguard taxpayers' interests and secure financial stability**

State ownership a central resolution issue

- **Brings efficiency in management and state control of restructuring**
- **Ensures confidence in state intervention and support measures**
- **Gives political advantages – safeguards taxpayers interests and public finance – the systemic stability to be saved, not individual banks**

Exposure of Swedish banks in the Baltic states

Billion EUR and per cent

	Swedbank	SEB	Nordea	Sum
Total lending	123	124	266	512
<i> which of Baltic states</i>	21	19	8	48
<i> per cent</i>	16,9%	15,6%	3,2%	9,4%
Market share in the Baltics (assets, %)				
Estonia	49	21	11	81
Latvia	23	13	10	46
Lithuania	22	29	10	61

Source: Bank reports and associations of commercial banks in the Baltic states.
As of Q4 2008, SEK converted by 10.50 SEK/EUR

The Government's response to the crisis

Sweden is contributing:

- On a multilateral basis (IMF, IFIs)
- On a bilateral basis - to governments, not directly to banks
- Ensure liquidity and financing to the Swedish banking system

The Government's Measures

- **Reforms in budget in line with long term structural agenda and the business cycle**
 - Tax cuts (for individuals and enterprises)
 - Investments in health care, infrastructure, education and R&D
- **Temporary, targeted and timely measures**
 - Active labour market policy
 - Support to the municipalities

During a recession the work first principle is protected through active labour market policy

- **What can labor market policy do to prevent the unemployment rate from staying at high levels?**
 - Provide security during adjustments
 - Maintain motivation for job searching
 - Encourage professional and geographic mobility

General government net lending

Percent of GDP, 1970-2010

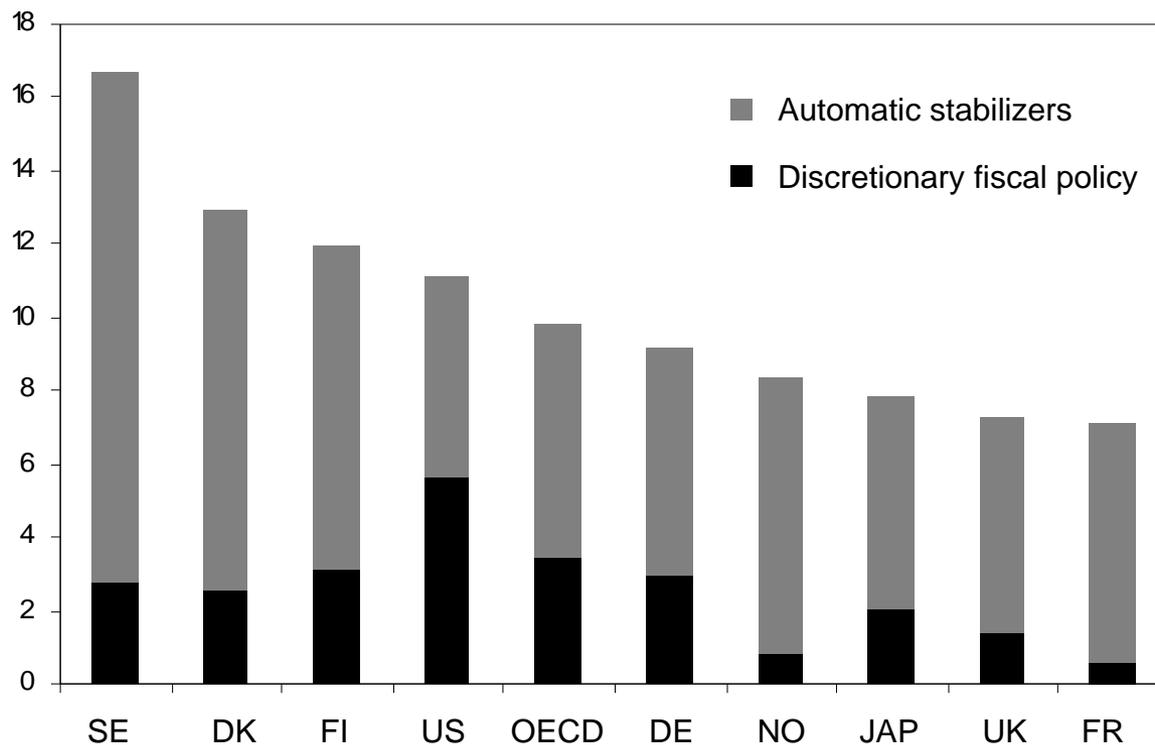


Source: OECD database, OECD interim report March 09, SCB and SE spring budget 09



Large fiscal stimuli 2008-2010

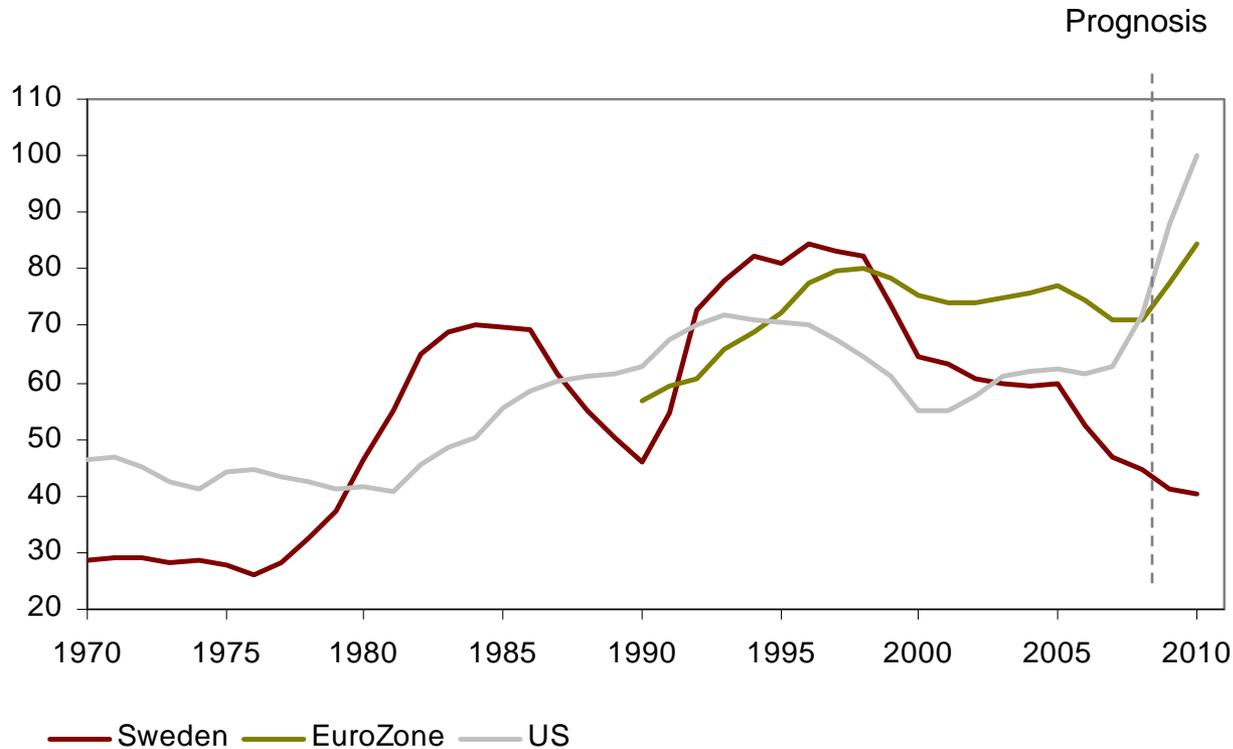
Percent of GDP



Source: OECD

General government gross debt

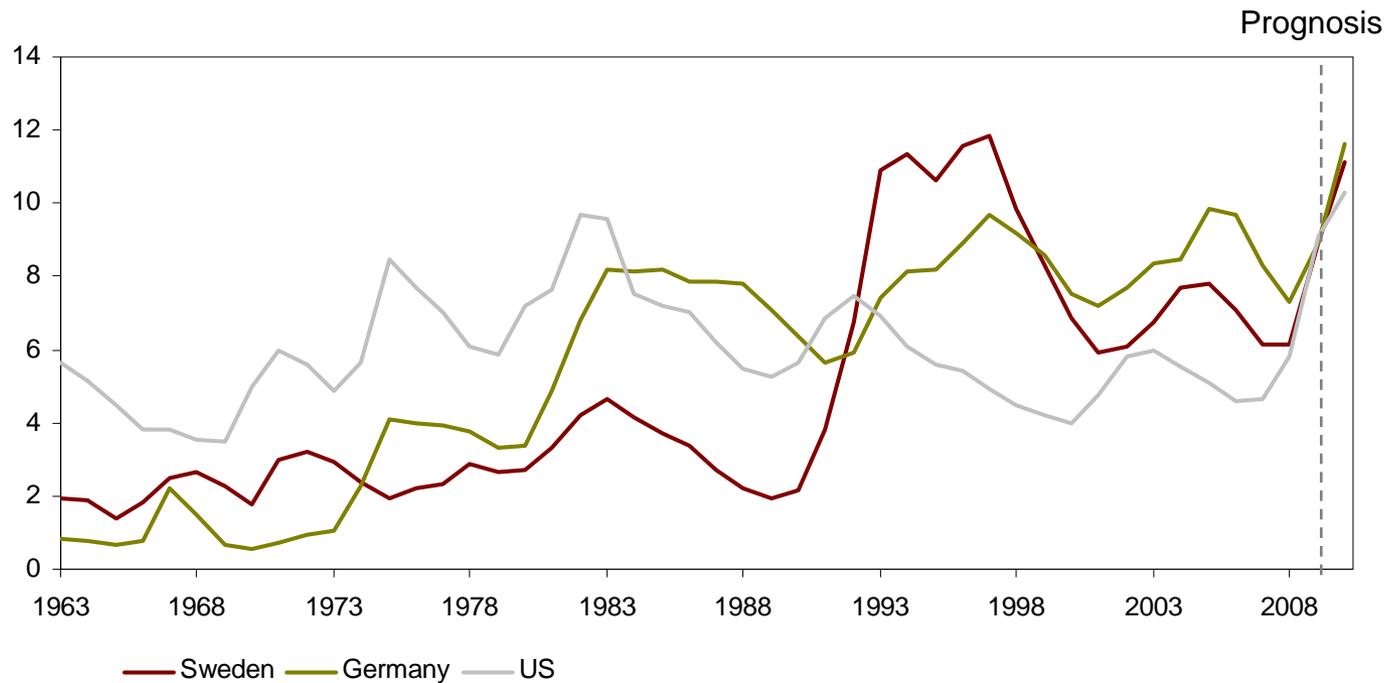
Percent of GDP, 1970-2010



Source: OECD

Unemployment rates, Sweden, the US, and Germany

Percent. 1963-2010



Source: Reuters EcoWin,
OECD interim report March 09,
SE Spring budget 09

Conclusions

- **Sweden: a small economy, vulnerable to external shocks**
- **In order to avoid future crisis, an efficient regulatory and financial framework is required**
- **Also important to secure sustainability in public finance in order to ensure stability**