

'There's not really a risk of a bubble'

Written by Johan Nylander

Wednesday, 04 December 2013 05:27 - Last Updated Wednesday, 04 December 2013 05:36



Pier Carlo Padoan, chief economist at the Organization for Economic Cooperation and Development, said that the Swedish Riksbank should stop worrying about the country's record private debt load and could do more to support economic growth.

"We're not tremendously concerned about household debt," Padoan, who's also deputy secretary-general of the Paris-based group comprising the world's developed economies, told Bloomberg. "There's not really a risk of a bubble. I don't think that cutting rates by itself would send debt higher, would signal that there are easier monetary and financing conditions."

"You could have a more expansionary, or an expansionary, monetary policy stance which benefits the whole economy" coupled with "specific macro prudential measures targeting the housing market and mortgages in a way that there is no excessive lending there," Padoan said.

Last week, Sweden's central bank said that the country's largest banks should continue to cut their structural liquidity risks and make sure they have enough capital to cope with future losses, Bloomberg reported.

"The fact that household indebtedness is high and rising poses significant risks to the stability of the financial system and the real economy," the bank said. "The size and concentration of the Swedish banking sector, as well as the banks' extensive use of short-term market funding, create vulnerabilities that may have a negative impact on financial stability."