SVERIGES RIKSBANK

SPEECH

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SPEAKER: Deputy Governor Aino Bunge

PLACE: Fastighetsdagen Stockholm, Grand Hôtel

Light at the end of the tunnel – time to start thinking about next time?*

Thank you for the invitation to come here!

The situation today is a little different than at the time of Fastighetsdagen Stockholm last year. At that time, inflation was just below 7 per cent measured by the Riksbank's target variable, the CPIF, and just over 8 per cent if one excludes the contribution from energy prices, which had begun to fall back. To curb the rise in inflation, the Riksbank and other central banks had raised their policy rates substantially and rapidly. It is not surprising that this has had an impact on the property and housing markets.

The interest rate increases have had a strong impact on businesses and households, and I realise that for many in this room, it has been an acid test. Overall, the Swedish economy and labour market have shown resilience, but we have seen a major impact on household consumption, a dramatic fall in construction investment, house prices have fallen and property companies have in many cases had to restructure their balance sheets. All these parts of the economy have in common that they are sensitive to interest rates.

Today the situation is somewhat brighter in many respects. Inflation is much closer to the target, the economy has slowed down, but much less than most people predicted a year ago, and all analysts, including the Riksbank, are expecting lower policy rates going forward.

In my contribution at our last monetary policy meeting, when the policy rate was cut for the first time in eight years, I said that the prospects for inflation look

* Thanks to Mikael Apel and Karl Blom for help with the speech, a number of colleagues at the Riksbank for valuable comments, Stefania Mammos for help with the presentation and Elizabeth Nilsson for translation.

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brighter with regard to the Swedish economy, but that there are still risks abroad and linked to the weak Swedish krona.

According to the outcome in March, inflation was 2.2 per cent, which is close to the target measured by our target variable CPIF. The outcome was significantly lower than expected and shorter-term price changes continue to trend downwards. The outcome in April also came in lower than expected at 2.3 per cent.

The Swedish economy has slowed down, largely in line with our forecast. There are signs of "a light at the end of the tunnel", but the increased optimism is also likely to be based on expectations of future interest rate cuts. Moreover, the improvements in several sectors are taking place from a weak starting position. The labour market has been weakening for some time, and we now see rising unemployment.

In my view, one important piece of the inflation assessment puzzle is the continued positive signals we have received regarding companies' pricing behaviour. There are now actually slightly fewer companies than normal that are expecting increased sales prices in the retail trade over the next three months.

But at the same time, several factors clearly call for caution in monetary policy and these factors primarily revolve around international developments. Market expectations of future policy rates and their impact on the krona have fluctuated considerably recently. This is a reminder of the existing uncertainty and that the path to sustainably low and stable inflation is not necessarily straightforward. To this can be added the ongoing geopolitical risks and associated risks for new supply shocks, which could trigger new inflationary impulses in Sweden too.

Large and rapid rate cuts may also lead to a large increase in demand in Sweden, which, particularly in combination with a weakened currency, may make inflation rise again. We will keep this in mind when we make monetary policy decisions going forward. We are in a much better position than last year, but we cannot assume the danger has passed.

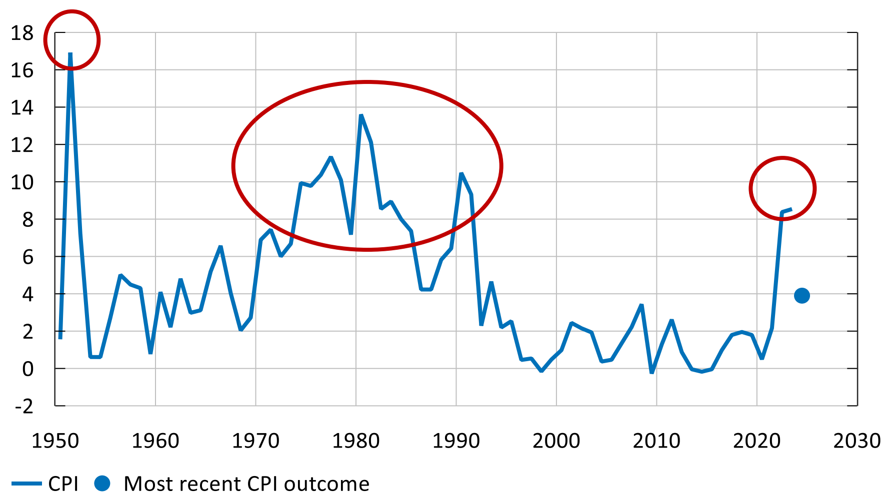
Recognising that it is therefore too early to close the book for this period, I would now like to give my view of things so far, and raise a number of issues related to both monetary policy and the property market that I believe are key for the future. A common theme is that a better functioning housing and property market is very important for Sweden's future economic stability.

The 2022–2024 inflation peak is unique – but could return

It can often be useful to put a current event into a historical perspective. I would therefore like to start with a look back at inflation over the last 75 years, from just after the Second World War. Until very recently, there were two more distinct episodes of high inflation during this period – a short-lived inflationary peak associated with the Korean War in 1950–1953, and a longer continuous period from the early 1970s to the 1990s crisis (see Figure 1). After the last one in particular, inflation remained low and stable for a long time.

Figure 1. Swedish inflation 1949–2023

Annual percentage change



Source: Statistics Sweden.

The 2022–2024 inflation episode is thus quite unique from a historical perspective. We have to go back more than seventy years to find a similar short-term inflation peak, although inflation was even higher then. Here I am assuming that the current episode of high inflation is indeed coming to an end, and most indications are that this will be the case.

It is also unique in that, unlike the two previous episodes of high inflation, this time it was monetary policy that had the main responsibility for fighting inflation in Sweden – through the policy of inflation targeting introduced in the early 1990s. In the context of the Korean War, the emphasis in the fight against inflation was on regulation and fiscal policy measures, both in Sweden and abroad. In the United States, for example, a price and wage freeze was introduced.

Of course, the 2022–2024 inflation episode also differs markedly from the much longer period of high inflation that preceded the 1990s crisis, often called "The

Great Inflation". There are several reasons why inflation remained so high for so long, but an important one is that overall economic policy systematically became too expansionary. Then too, monetary policy played a very limited role, as the interest rate was in principle entirely tied to maintaining the fixed exchange rate.[1]

First real test for inflation targeting

This recent period of high inflation is likely to be analysed and discussed for a long time to come. But it is likely that one conclusion will be that an important reason why it was so short-lived was that central banks around the world reacted as quickly and simultaneously as they did − although it could be argued that it would have been even better if they had reacted a little earlier.

For Sweden and many other comparable countries, it has been the first really major test with inflation far above the target during the period of inflation targeting. The challenge was to keep inflation expectations anchored and avoid something like "The Great Inflation" − while doing so without unduly impacting the real economy in terms of a large decline in output and unnecessarily high unemployment. We do not yet know whether inflation is permanently back on target or how the economy will ultimately develop, but so far it looks quite promising. We have had a slowdown in the economy, but it has been relatively mild. So it seems that the inflation targeting regime has passed the first really big test of really high inflation fairly well. It is of course good to finally have confirmation that inflation targeting works, even when inflation rises far above the target.

At the same time, developments in recent years are a useful reminder that even if you have lived in an environment of low inflation and low interest rates for a long time, you cannot expect it to last forever. I shall return to this shortly.

But if everything seems to be going reasonably well, why am I even bringing this up? The reason is that my feeling is that, after all, we have had a narrow escape. Not because I think there was an imminent risk that we would be stuck in a long period of very high inflation, despite higher interest rates, but because the development of the real economy could have been much worse. Especially if the trend we saw of increased indebtedness in some sectors, including the property sector, had continued for a number of years before inflation rose. And because I am fully aware that those of you in this room, who work in the part of the economy that you do, might not agree that the slowdown was particularly mild. We should therefore start thinking now about how we would like it to be the next

[1] For a more detailed review of the history of inflation since 1900, see Apel and Ohlsson (2022), who show that high inflation has often coincided with periods of war and geopolitical turmoil.

time inflation and interest rates are low for a while and then suddenly rise sharply. Because there will most likely be a next time, sooner or later.

Monetary policy is conducted according to certain basic assumptions

To develop my reasoning on this, it may be worthwhile to first say something about the conditions under which monetary policy is conducted. Since the introduction of the inflation target in 1993, there has been broad political agreement that the Riksbank's primary objective should be to maintain sustainably low and stable inflation.[2] The reason is a conviction among economic policy-makers and researchers that an economy performs better in the long run if there is a clear benchmark for wage formation and price-setting – that there is what is usually called a nominal anchor.

An important factor in this context is that the general, global real interest rate has fallen over a couple of decades, to a historically low level. To put it in economic terms, the global real equilibrium interest rate has fallen. One driving force behind this development, which is often emphasised, is the changes in global savings and investment patterns, for instance, that ageing populations have led to an increase in savings.[3]

Central banks cannot control the general level of real interest rates because it depends on factors beyond the control of monetary policy, but they must take it into account when setting their policy rates. One consequence of the fall in interest rates is that an increasingly low policy rate has been required for monetary policy to stimulate the economy. For example, a policy rate that would have been highly stimulative 20 or 30 years ago would be contractionary today.

For the sake of simplicity, let us call the policy rate that neither stimulates the economy nor has a contractionary effect the normal policy rate.[4] Monetary policy is thus expansionary if the policy rate is lower than normal and contractionary if it is higher than normal.

One difficulty in talking about the normal interest rate − apart from the fact that it is not constant − is that it cannot be read off any kind of statistics, but must be estimated in various ways. All of these estimate are, of course, uncertain. In practice, it is usually a matter of trial and error. If the policy rate appears to have a contractionary effect on the economy, it is higher than the normal interest rate,

[2] There was a broad consensus on this even before that. But the way Sweden tried to achieve price stability at the time – by pegging the krona to the currencies of countries with lower inflation – turned out to be rather unsuccessful.

[3] See, for example, Lundvall (2023) for a more detailed review.

[4] An alternative concept used is the neutral interest rate.

and vice versa. But while this makes things more complicated, it does not, of course, change the fact that there is a normal level for the policy rate that has neither a stimulating nor a contracting effect.

Of course, it is not possible to keep the policy rate constant at the normal level all the time, regardless of what happens in the economy. The central bank must react and make monetary policy expansionary or contractionary if, for example, inflation risks deviating from the target over a longer period of time. Otherwise, economic agents may start to expect that some level of inflation other than 2 per cent will be the normal level, or perhaps even that there is no normal level but inflation will just drift − that there is no nominal anchor in the economy. The central bank would then obviously fail in its mission.

So how much should we expect the policy rate to need to vary? Over the past decade, it has varied between −0.5 per cent and 4 per cent, i.e. a range of 4.5 percentage points. This does not appear to be a particularly wide range, especially as inflation has varied between around 0.5 per cent as an annual average in 2014 and the pandemic year 2020 to almost 8 per cent in 2022, measured by the CPIF. This range of interest rates is what one might call the range of action of monetary policy, or at least it has been for the past decade.

These are conditions that the Riksbank can do little about. As I said, the general level of interest rates is something that the Riksbank and other central banks must take for granted and have to relate to.[5] The variations in the policy rate required to maintain the inflation target are given in about the same way and depend on the strength of inflationary impulses, the way the economy functions and the impact monetary policy has on it, other policies, and the degree of confidence in the target. If the Riksbank were to choose to consistently "react a little less", this would not be sustainable in the long run. For example, if interest rates are not raised sufficiently when inflation is rising sharply, inflation could become entrenched at a high level. This would mean that a much larger increase in interest rates will be required at a later stage, with greater costs in terms of increased unemployment and lost output.

Interaction with other policy areas is important

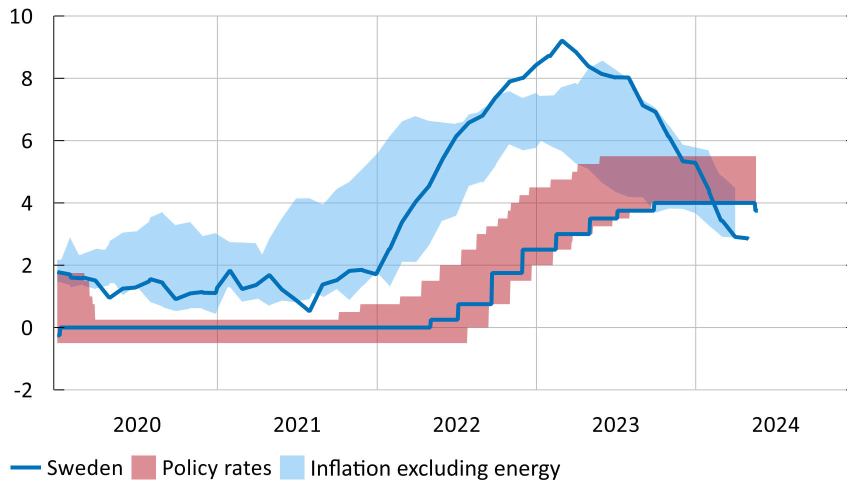
Developments over the past decade have highlighted a relationship that I believe is central and to which I will devote the rest of my discussion. This is that the economy must be sufficiently stable and well-functioning – resilient, if you like –

[5] A hypothesis with a somewhat different starting point is that long-term trends in real interest rates are largely influenced by monetary policy in countries with a central role in global financial markets; see Borio et al. (2022). Even in that case, real interest rates would be a given for central banks in small open economies. However, the dominant view in academic research is that changes in real interest rates are driven by global saving and investment patterns.

to be able to handle the fact that general real interest rates are low for long periods, and it must also be able to handle the fact that the Riksbank needs to raise the policy rate – sometimes relatively quickly and by a lot – so that inflation can be kept stable at 2 per cent. Economic resilience requires an interaction between monetary policy and other policies, not least because it is through measures in other policy areas that we build this resilience.

Figure 2. Policy rates and inflation excluding energy in a number of economies

Per cent and annual percentage change



Note. The red bar shows the highest and lowest outcomes for the policy rate in the euro area, the United States, the United Kingdom, Norway, Canada and New Zealand. The light blue area shows the highest and lowest outcomes for inflation excluding energy for the same sample of countries.

Sources: Eurostat, Statistics Sweden, Statistics Canada, Statistics Norway, Statistics New Zealand, U.S. Bureau of Economic Analysis, U.K. Office for National Statistics, the respective central bank and the Riksbank.

In some areas it has worked very well. For example, wage agreements have long been in line with the inflation target. This has also been the case in recent years, despite inflation being significantly higher than 2 per cent. As this has reduced the risk of a wage-price spiral, it has contributed to the Riksbank being able to content itself with policy rate increases at a relatively low level in international terms, despite the fact that the rise in inflation in Sweden was relatively rapid and the peak in inflation relatively high (Figure 2). This stability in wage formation has of course been positive and favourable for the economy as a whole.

Another important interaction is that between fiscal and monetary policies. During the recent upturn in inflation, this interaction has worked well, in the sense that fiscal policy has not reinforced inflationary impulses. In that case, the Riksbank would probably have had to raise interest rates more than it did. The future interaction between fiscal policy and monetary policy more generally is currently the subject of fairly lively debate, including in the Long-Term Survey

report published before the turn of the year, in which fiscal policy stabilisation was a main theme.[6] I will not say more about this other than that the Government has set up a parliamentary committee to review the fiscal framework and the surplus target in particular. It will report on its mission at the end of the year. However, it is important to recognise that government debt cannot be evaluated in a vacuum, but should be considered in conjunction with private sector debt, i.e. corporate and household debt, and the risks that build up there.

This brings me to the housing market and another important interaction, which is that between macroprudential policy and monetary policy. As I mentioned earlier, the policy rate may need to vary within a certain range, and for many years monetary policy had to be conducted in an expansionary direction to bring inflation up to 2 per cent. One risk is that agents will take too much risk during such periods, and end up in trouble when inflation and interest rates eventually rise. Since general interest rates are now significantly lower than they were 20 or 30 years ago, it makes sense that asset prices and liabilities are higher than they were then. But on the one hand, there is the risk of various economic agents becoming overly optimistic when interest rates are very low, and on the other hand, a high level of debt is in itself a vulnerability if the underlying conditions change, for example if the general interest rate level rises in a way that was not expected and the price of the property financed by the debt falls sharply. In my view, macroprudential policy has an important role to play when interest rates are low, by contributing to increased resilience and counteracting the build-up of financial imbalances.

However, it is not only interest rates that affect how much asset prices and debt increase in the economy. For example, Sweden and Finland have experienced the same long trend decline in interest rates. But house prices have not risen nearly as much in Finland as they have in Sweden. This indicates that structural factors may play an important role. For example, the Riksbank has long emphasised that the Swedish housing market suffers from very large structural problems, on both the supply and the demand side. Addressing these problems requires action on housing and tax policies. From my point of view, there is therefore potential for development in the interaction between macroprudential policy, monetary policy and fiscal policy, when we consider what is an optimal policy mix for managing various risks, not least those linked to household indebtedness.

A committee is currently analysing the macroeconomic risks associated with household indebtedness and how borrower-based macroprudential measures, such as mortgage caps and amortisation requirements, can counteract the

[6] The Long-Term Survey and the role of fiscal policy in stabilisation policy are also discussed in several articles in Ekonomisk Debatt no. 3, 2024.

macroeconomic risks associated with household indebtedness. The committee is to report on its work by 31 October this year.

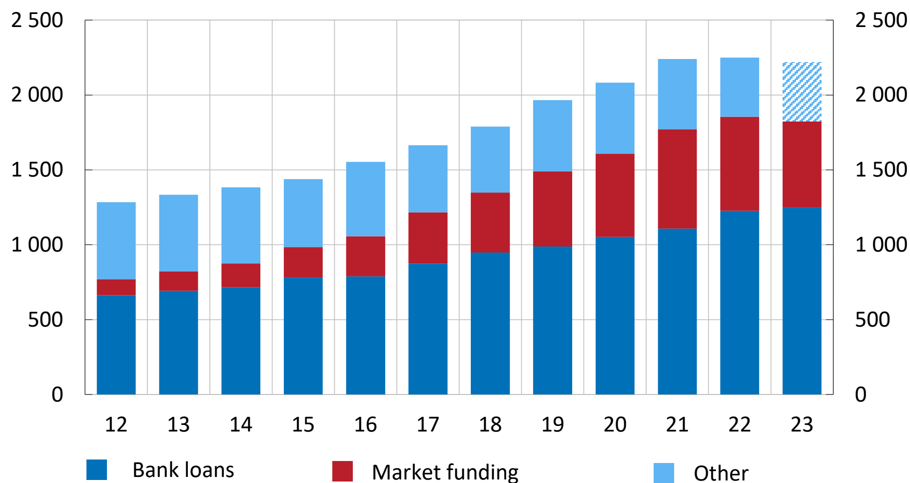
Build-up of risks and 'financial dominance' make price stability harder to achieve

Now that I have talked a little about the conditions for inflation targeting and the interaction between different policy areas, I would like to explain why a resilient economy is an important prerequisite for monetary policy to focus on fighting inflation.

There have long been clear examples of risk build-up in the Swedish economy, not least in the commercial property sector. During the years of low interest rates and very good access to finance, many property companies increased their borrowing substantially, expanded their property portfolios rapidly through acquisitions and new production and therefore took large financial risks. Much of the credit expansion took place via the bond market (see Figure 3). One contributing factor was that investors' demand for riskier assets increased in the general low interest rate environment, as they wanted to maintain a good absolute level of returns. The increase in demand was reflected, for example, in the large inflows into corporate bond funds, which led them to invest increasingly in new bonds.

Figure 3. Property companies' loans

SEK billion



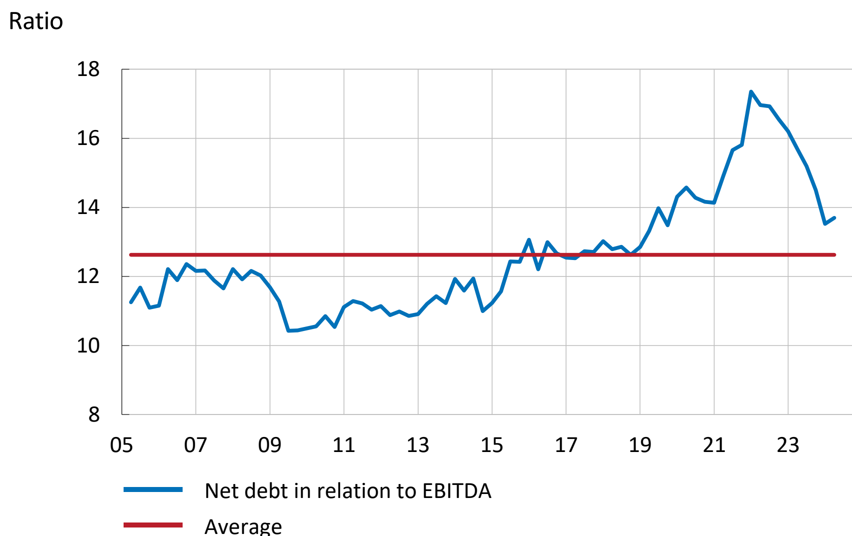
Note. Refers to loans from Swedish MFIs, outstanding certificates and bonds in all currencies, nominal amount and other loans. Other loans includes, for example, direct loans, ownership loans and loans from foreign banks. Other loans are calculated based on Statistics Sweden's Business Economy as total current and non-current liabilities less Swedish bank loans, certificates, bonds, intra-group loans, tax liabilities and accounts payable. Other loans in 2023 (the patterned part of the bar), is based on data from 2022, as data for 2023 was not available.

Sources: Statistics Sweden, KRITA and SVDB.

This contributed to making bond financing relatively more favourable for property companies. To be able to borrow more and more cheaply, an increasing number of property companies wanted to enter the bond market, and many therefore chose to obtain a credit rating from both established and new rating agencies. During this period, property companies' loans increased significantly in relation to their earnings – in other words, property companies' cash flows became increasingly leveraged (See Figure 4).

Figure 4. Property companies' debts in relation to their operating profit

Ratio



Note. Refers to volume-weighted ratio for 34 commercial property companies, with some property companies being added over time. The ratio is calculated as the companies' interest-bearing liabilities minus cash and cash equivalents relative to their operating profit, weighted by volume. Operating profit is a company's earnings before interest income and expense, taxes, depreciation and amortisation (EBITDA). Data refer to the period up to the end of the first quarter of 2024.

Sources: Sedis and the Riksbank.

Then, as inflation and interest rates rose, many property companies came under pressure. Since rental agreements are often inflation-indexed, rental income increased, but this could only partly compensate for higher financing costs. Property values also started to fall, albeit slowly. At times, it was difficult for any but the strongest companies to issue bonds.

As a result of the changing economic environment, many property companies have had to take steps to strengthen their balance sheets. For example, they have sold properties, issued new shares and reduced new construction and investment in existing properties. Together with a higher operating profit, this has contributed to a decrease in the net debt ratio among large property firms from just over 17 to just under 14 since the beginning of 2022 (See Chart 4).

Expectations of lower interest rates have contributed to the improvement in the financing situation of companies, not least on the Swedish bond market.

However, it is important to remember that things could have gone much worse. In general, the Swedish banking sector was in good shape this time around and was able to absorb a large part of the property companies' borrowing needs.[7]

To some extent, of course, reduced activity and lower prices in the property and housing markets are a natural part of the monetary policy transmission mechanism, as it is the intention that activity will slow down to reduce inflationary pressures. High interest rate sensitivity – that is, large effects of interest rate changes – is also not necessarily a problem and can even be an advantage, as monetary policy then often has a faster impact and is more effective. But if, for example, many property companies are unable to cope with the Riksbank raising the policy rate to a level that is compatible with keeping inflation low and stable, there is a risk of a credit crunch and instability in the banking system − as the banks have such a large exposure to the sector.

More generally, an economy with high levels of debt may eventually find itself in a situation where monetary policy is hampered by so-called 'financial dominance'. This means that the central bank will find it difficult to raise interest rates to fight inflation if the higher rate not only dampens demand in the economy, but also risks causing problems in the financial system. One difficulty that arises if the central bank tries to deal with the problem by *not* raising interest rates sufficiently is − as I noted earlier − that inflation becomes persistently stuck at above-target levels. The problems are then simply postponed. Sooner or later, when it is necessary to try to bring inflation down, you will need to tighten monetary policy more. Ultimately, this could lead to *both* higher unemployment and lower output *and* financial instability, in the form of falling asset prices and higher loan losses, further amplifying the downturn. Financial dominance is therefore a trap for monetary policy and the economy as a whole that we must try to avoid.

We could end up in a similar situation again

But, as I said earlier, this is not something we seem to need to worry about at the moment. On the other hand, there is reason to start thinking now about what we want the Swedish economy to look like in the future. I believe that the developments of recent years can be seen as a clear wake-up call.

As I mentioned earlier, the general level of global real interest rates has fallen over the past few decades, to a historically low level. Several studies have tried to estimate what will happen to real interest rates in the future. With only few

[7] In January 2020, Finansinspektionen increased the risk weights for bank loans to commercial property to make sure that the banking sector had enough capital to be able to handle the risks associated with the commercial property sector. See *FI föreslår ökade kapitalkrav för banklån till kommersiella fastigheter (FI proposes increased capital requirements on bank loans for commercial properties)*, November 2019, Finansinspektionen.

exceptions, they conclude that they will remain low.[8] This would also mean that the normal level of the policy rate will remain low from a historical perspective in the future.

We at the Riksbank have said that we want to have a testing approach where we evaluate the effect of the interest rate cuts on the economy to assess what constitutes a contractionary monetary policy.[9] But it cannot be ruled out that central banks may once again have to grapple with the problem of how far the policy rate can and should be cut when inflation is at risk of undershooting the target, or economic growth is weak. We need to avoid ending up in a situation where risk-taking becomes excessive, and instead strengthen resilience among companies and households. Because there will also be periods from time to time when inflation rises sharply and the policy rate needs to be raised quite a lot. Of course, we don't know how often this will happen, but we shouldn’t expect it to take as long as it did recently, i.e. about fifteen years. Of course, we do not know how much the interest rate needs to be raised in such situations either, but it cannot be ruled out that it needs to be raised more than 4 per cent. It is therefore important that economic agents and the economy as a whole are well equipped to cope with such developments – i.e. periods where interest rates are raised significantly after a long period of low interest rates.

Strengthening resilience requires work on several fronts

To address some of the risks associated with property companies’ loans, I believe we need to consider the important role that the corporate bond market currently plays in property companies’ financing. An important prerequisite for a stable and well-functioning market is the correct valuation of credit risks. This is where the increased use of credit ratings can play a role. However, the behaviour of credit rating agencies in 2022 and 2023 – with rapid and large downgrades of property companies in a short period of time – raised questions about the reliability of credit ratings. In this regard, institutions may need to review their methodologies so that the ratings become more robust.

The fact that the bond market has come to play an increasingly important role for property companies is part of a broader trend, in which financial agents other than banks, such as funds, have come to constitute an increasingly large and important part of both the Swedish and the global financial system. However, unlike the banking sector, there is no framework for macroprudential supervision for these actors. The Riksbank considers it important to have such a framework in

[8] For estimates and reviews, see for example Auclert et al. (2021), Platzer and Peruffo (2022), IMF (2023), Lundvall (2023), Obstfeld (2023) and Flodberg (2024).

[9] See, for example, Monetary Policy Report March 2024.

place, and therefore welcomes the fact that the European Commission has launched a consultation on introducing this within the EU.

In a Swedish context, corporate bond funds are important investors in property companies' bonds. However, the funds are exposed to liquidity risks as there is a mismatch between the liquidity of the assets in which they have invested and the ability of unitholders to redeem their units. There is therefore a risk that funds may need to sell corporate bonds quickly to meet withdrawals from their shareholders. This could lead to stress in the bond market, impairing companies' ability to raise financing there. We saw a real example of this during the beginning of the pandemic. The Riksbank has long emphasised that fund companies need to manage liquidity risks in corporate bond funds, and has recently also advocated that the funds should implement adjusted sales and redemption prices, so-called 'swing pricing'. I note that the new additions to the EU directive regulating funds will soon require them to provide and implement more liquidity management tools to mitigate liquidity risks, including swing pricing.

Property companies themselves have work to do to strengthen confidence in the sector as a whole. One way to do this is to increase transparency around the way properties are valued. For example, it is currently difficult to assess whether property values have been adjusted downwards sufficiently as a result of thechanged economic environment. On the one hand, companies need to explain more clearly the assumptions on which the valuations are based, and on the other hand, the information about the transactions needs to be more detailed. In light of this, it is positive that Finansinspektionen has taken the initiative to improve the information base in connection with transactions.

On the household side, policy needs to act with reforms to reduce the structural problems that exist on the supply and demand side of the housing market. If not, I see that macroprudential policy will have to continue to play a central role. Otherwise, we will leave the Swedish economy in an even more vulnerable position. Al-though the measures come with some costs, the amortisation requirements and the mortgage cap have curbed indebtedness and thus reduced interest rate sensitivity among households.[10]

My key messages

Let me briefly summarise my most important messages. We started this month with a cut in the policy rate and inflation is now close to the target. It is too early to sound the all-clear, but we are in a much better position than we were a year ago. The 2022–2024 inflation peak is unique in several ways. We have not seen

[10] See, for example, Andersson and Aranki (2019) and Andersson et al. (2018).

such high and short-lived inflation for more than seventy years and it was the first really big challenge with high inflation during the period of inflation targeting, i.e. when the main responsibility for fighting inflation rested with monetary policy. As far as can be judged today, inflation targeting has passed the test fairly well, in that inflation is broadly back on target, hopefully sustainably, without an excessive slowdown in the economy and without causing financial stability problems.

But even if things seem to be going quite well this time, there are reasons to try to make the economy even more stable and well-functioning next time. It is very positive that Sweden has secure and stable public finances that enable investments for the future. But we also need to keep a close eye on private debt. And this is particularly true among property companies and mortgage lending to households. It is not unlikely that we will continue to see relatively long periods of fairly low interest rates and inflation close to the target, interrupted from time to time by episodes of rising inflation and a policy rate that needs to be raised, possibly more than has been the case this time.

It is therefore important that periods of low policy rates are not characterised by excessive risk-taking in certain sectors, which risks creating major problems when the policy rate needs to be raised. In other words, there must be conditions for monetary policy to do the job it is delegated to do, without major problems arising in some parts of the economy − and, in the worst case, risks to the financial system − as a result of excessively short-term and risky behaviour.

In an unfavourable scenario, the next time the interest rate needs to be raised substantially, we will find ourselves in a situation where we in Sweden have not done much to make the property and housing market more resilient to interest rate increases. Then the problems could be much bigger than they were this time. We should do our best to avoid this.

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