

Statement by Professor Axel A Weber, Bundesbank President, in reply to media enquiries regarding the recent tension on the financial markets

The pricing of risks is now returning to normal on the financial markets. The shift in sensitivity from high risk propensity to greater risk aversion, however, has occurred abruptly and has led to nervousness and overreaction in some market segments. German banks have also been affected by this.

In order to ensure orderly market conditions, the Eurosystem has arranged quick tenders to ensure that the credit institutions can meet their daily liquidity requirements. This has proved effective: it has helped to improve liquidity and calm the markets. The ECB and the national central banks will continue to monitor market developments carefully.

The Bundesbank maintains close contact with the banks as part of its ongoing monitoring of the credit institutions. This has confirmed our impression that the increased risks in the business areas concerned are contained and the potential losses of the credit institutions are limited on the whole. The recent problems of the IKB were an isolated institution-specific incident. The KfW and the German banking industry have agreed to form a banking pool to solve these problems.

Despite the recent tension in some financial market segments, European and German economic data remain positive. They indicate that the robust and broad-based economic upswing will continue.