

# PRESS RELEASE



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CONTACT: Press Office, tel. +46 8 787 02 00

SVERIGES RIKSBANK  
SE-103 37 Stockholm  
(Brunkebergstorg 11)

Tel +46 8 787 00 00  
Fax +46 8 21 05 31  
registratorn@riksbank.se  
www.riksbank.se

## High household indebtedness remains greatest risk in Swedish economy

*High household indebtedness continues to pose the greatest risk in the Swedish economy. To address the fundamental causes of this high indebtedness, it is urgent that measures be taken in housing and tax policy.*

### **High indebtedness remains the greatest risk – structural reforms required on the housing market**

The Riksbank deems that Swedish households' indebtedness poses the greatest risk in the Swedish economy. Household debt has increased for a long time and households are currently highly indebted, both from a historical perspective and in international comparisons. This means that households are sensitive to changes that affect their finances, such as rising interest rates, rising unemployment and falling housing prices, for example. However, since the autumn, the rate of increase in lending to households with housing as collateral has slowed down slightly. At the same time, debts are now growing at around the same rate as households' incomes. Lower housing prices and the stricter amortisation requirement have contributed to new mortgage borrowers amortising more and taking on less debt in relation to their incomes, compared to the year before.

But the fundamental problems with household debt persist and are linked to the functioning of the housing market. The housing market functions poorly and the tax system is not well designed from a financial stability perspective. It is therefore essential to adopt measures within housing and tax policy to manage the imbalances between supply and demand on the housing market.

### **Vulnerabilities in the banking system require measures**

There are vulnerabilities and risks in the Swedish banking system, above all its size, concentration, interconnectedness, limited capital levels and, in some respects, low resilience to liquidity risks. The structural vulnerabilities in the banking system make it



important that the banks have enough capital and liquidity. The banks need to increase their capital in relation to their total assets and Finansinspektionen (the Swedish financial supervisory authority) should introduce a leverage ratio requirement of 5 per cent.

In addition, the banks largely obtain funding on the international capital markets, a large part of which are short-term debts in foreign currency, which is contributing to increasing the vulnerabilities. The money laundering investigations under way in Swedish banks could affect confidence in the banks and thereby impair their ability to obtain funding.

### **Further risks that may affect Sweden's financial stability**

The greatest international risks are the ongoing trade conflict between the United States and several other countries, the structural problems in the European banking sector, the problems with weak public finances in several European countries and Brexit.

The Riksbank's oversight shows that the financial infrastructure works well overall at present, but that resilience to financial risks needs to increase.

Cyber risks are currently seen as one of the greatest risks to the international financial system and its participants. It is of the greatest importance that authorities, banks and financial infrastructure companies work to prevent cyber threats in their systems.

A press conference with the Deputy Governor Per Jansson, and Olof Sandstedt, Head of the Financial Stability Department, will be held today at 10.00 at the Riksbank.

Press cards or equivalent must be shown. The press conference will be broadcast live on the Riksbank's website, [www.riksbank.se](http://www.riksbank.se), where it will also be available to view afterwards.