

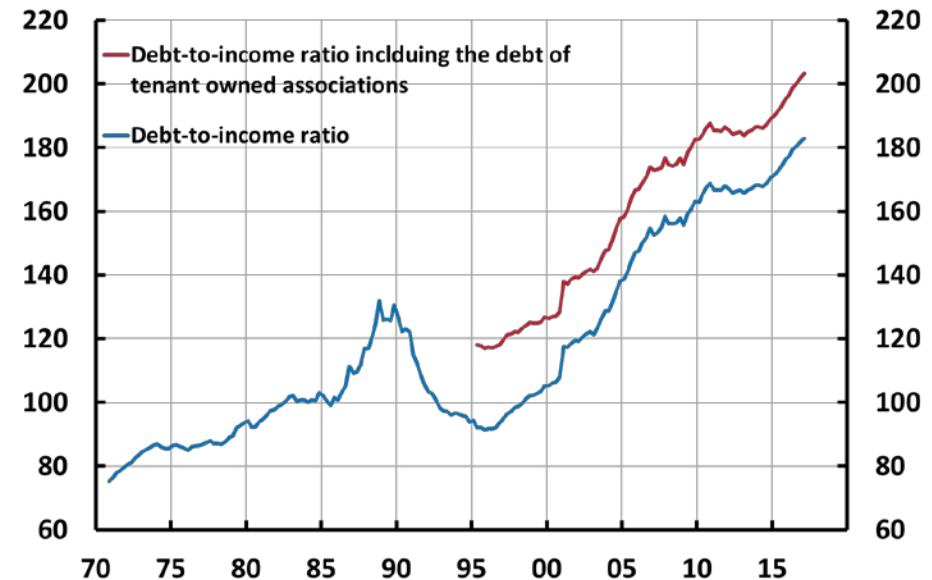
# Financial Stability Report

November 2017

# The financial system is exposed to risks

- Households' high indebtedness – the greatest risk
- The housing market
- Uncertainty over global political and macroeconomic development

## Debt-to-income ratio increasing

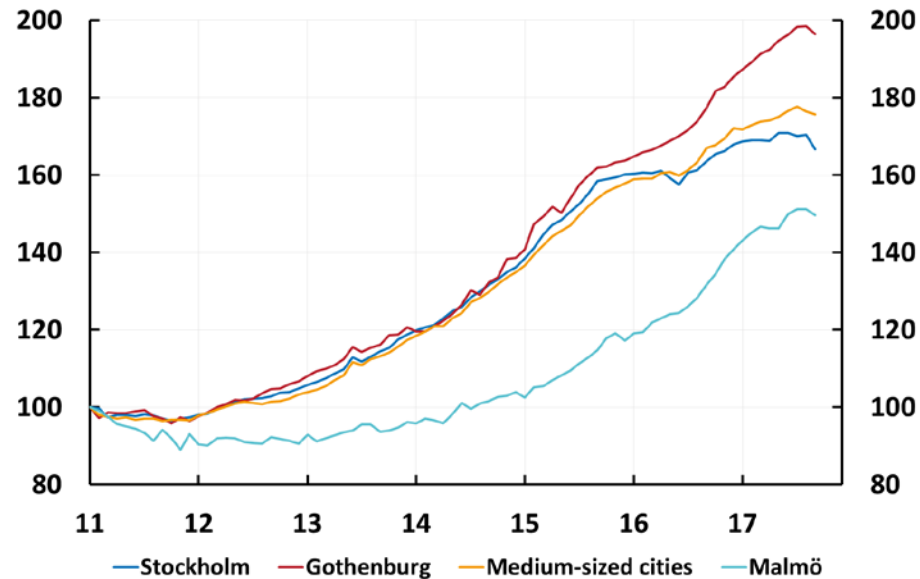


Household debt-to-income ratio, percentage of disposable income.

Sources: Statistics Sweden and the Riksbank

# Housing prices have been increasing over a long period of time

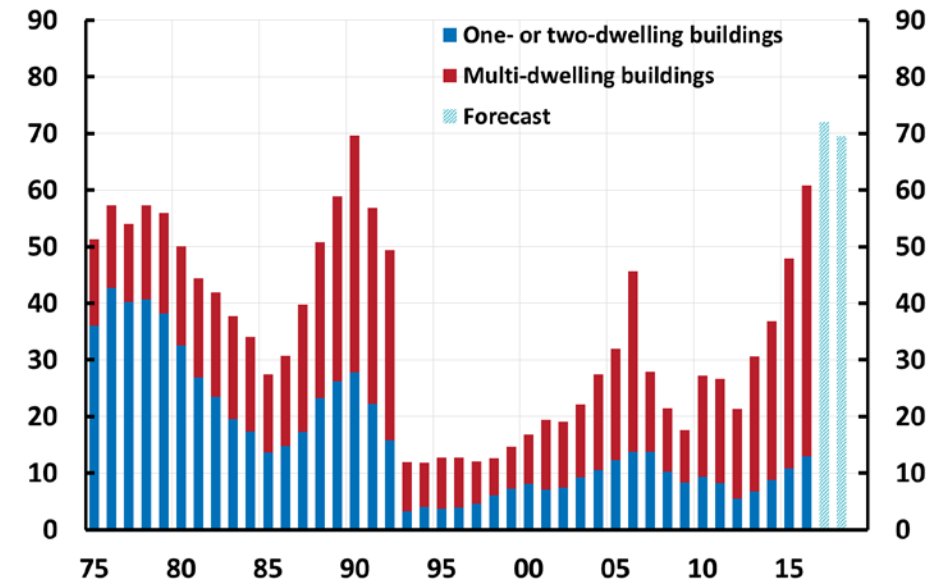
But have now fallen slightly



Index, January 2011=100. Refers to the development of housing prices.

Sources: Valueguard and the Riksbank

Construction has increased heavily

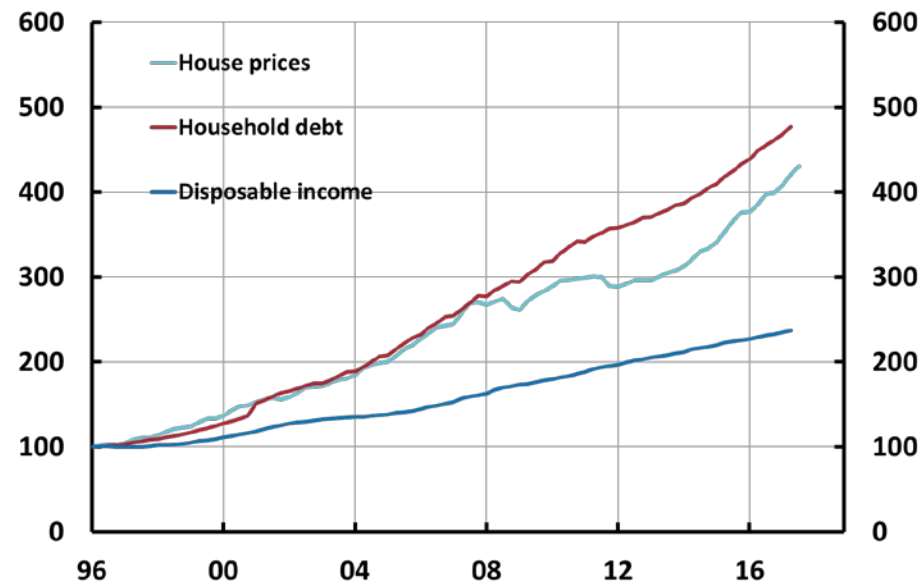


Thousands, refers to new builds.

Sources: The National Board of Housing, Building and Planning and Statistics Sweden.

# Households are increasingly indebted

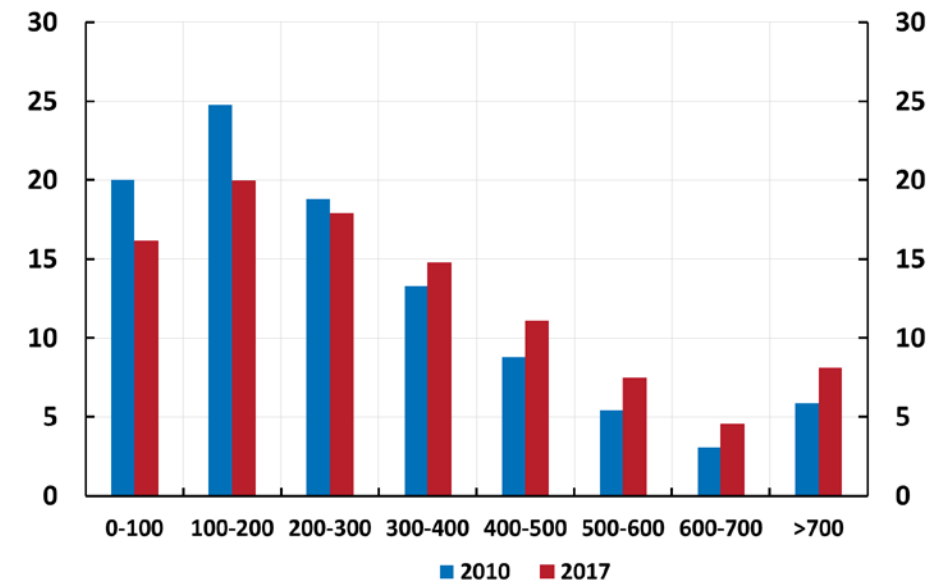
## Debts increasing more than incomes



Index, 1996 Q1=100 Disposable income refers to quarterly data, four-quarter moving average.

Sources: Statistics Sweden and the Riksbank

## More are more in debt



Breakdown of household debt-to-income ratio, percentage of households with mortgage debt.

Source: The Riksbank

# Consumption loans are increasing at a rising pace



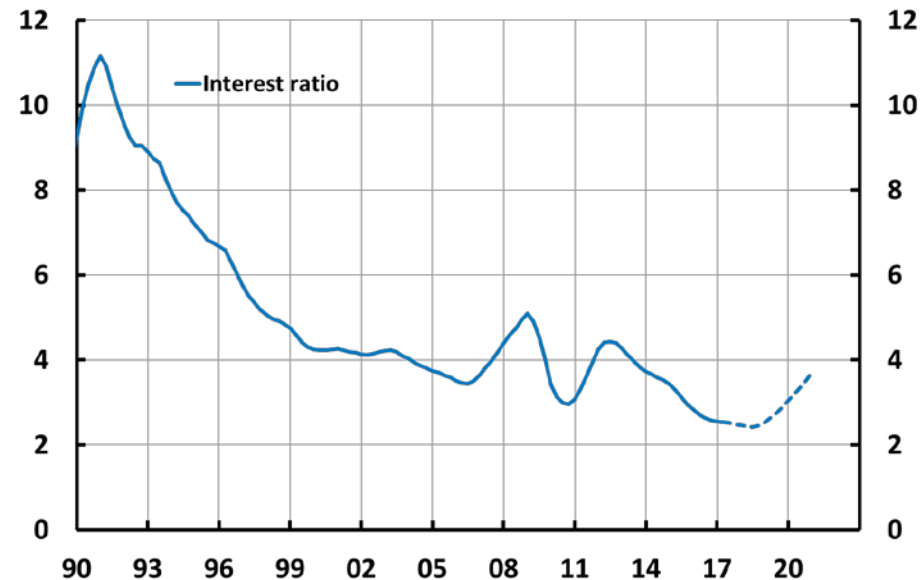
Annual change of consumption loans and total lending to households, per cent.

Source: Statistics Sweden

# Households have become more sensitive

Low interest rate is leading to low interest expenditure

But higher interest rate will have more rapid impact



Swedish households' interest expenditure as a percentage of disposable income, adjusted for tax relief. The dashed line represents the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

	Typical household	
Year	2004	2016
Housing price (SEK million)	1.3	2.8
Interest payments	1800	1800
<i>Scenario</i>		
Interest payments (+1 %)	500	1100
Interest payments (+5 %)	2400	5600

Interest payments for a typical housing purchase, SEK per month.

The payments have been rounded off to the nearest hundred.

Sources: Finansinspektionen, Statistics Sweden and the Riksbank.

# A combination of measures to reduce the risks inherent in household indebtedness

- The housing market needs to function more effectively
- Tax rules need to be revised
- FI needs to be able to act quickly
- Appropriate with stricter amortisation requirement



# Stricter amortisation requirement is good

- Will increase resilience among the most indebted and particularly vulnerable households
- Could contribute towards the more restrained development of prices on the housing market
- Important that the Government gives its approval of the proposal

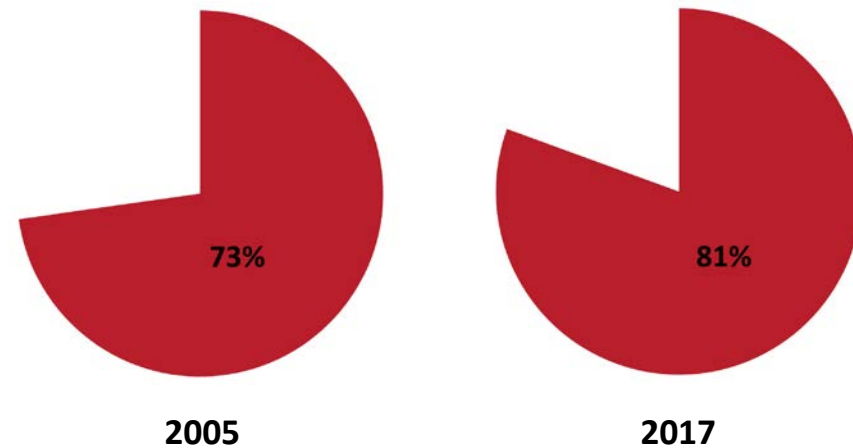




# The Swedish banking system is vulnerable

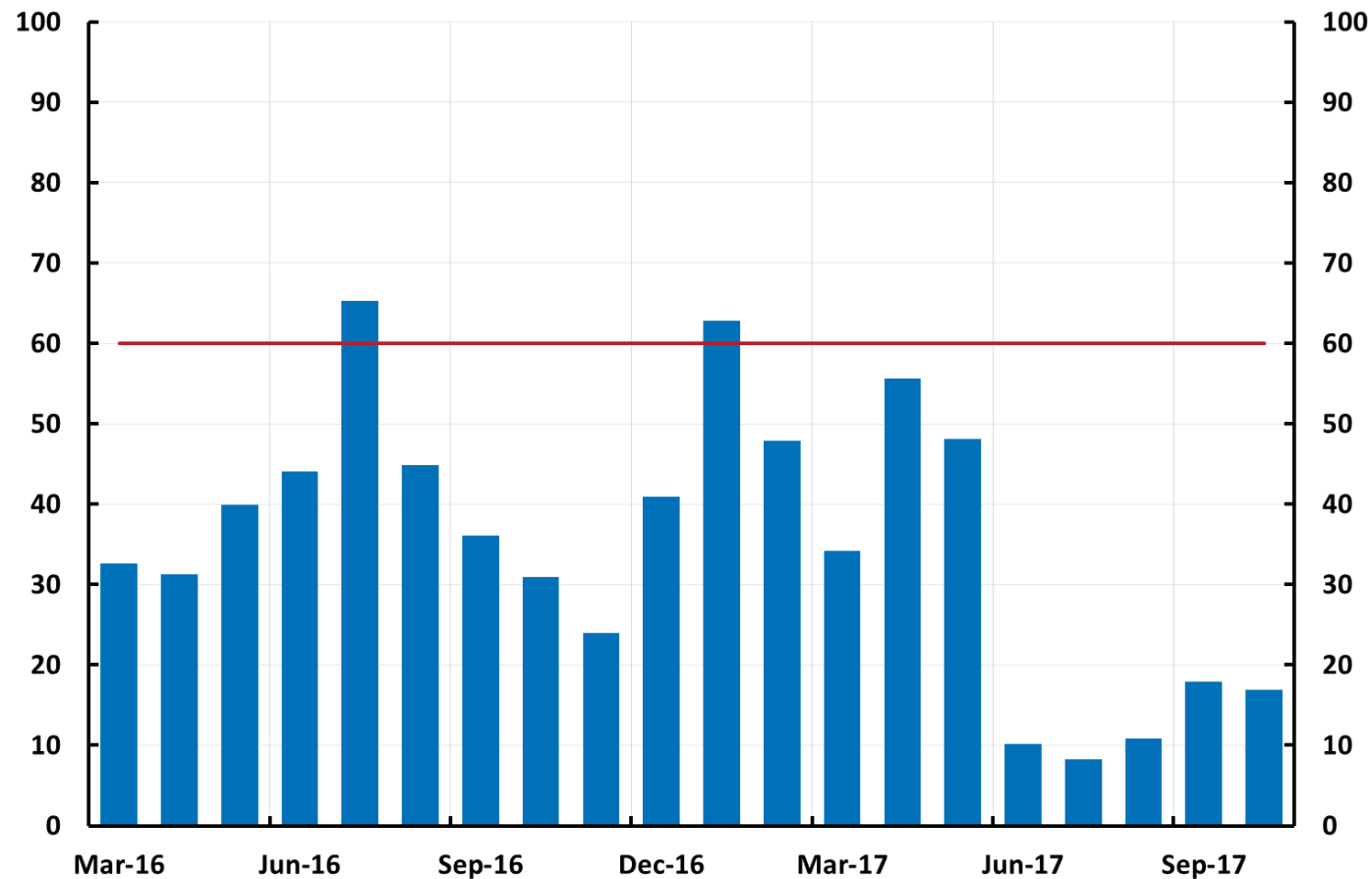
- Increasingly exposed to the property market
- Dependent on foreign funding
- Large, concentrated and interconnected

## Increased exposure towards property



The major banks' total lending to Swedish non-financial corporations and households, percentage of loans against collateral in property.

# Important that the banks have self-insurance



The major Swedish banks' daily LCR in SEK, single lowest observation, per cent.

Source: The Riksbank

# Vulnerable banking system even if Nordea relocates

- The risks will remain, even if Nordea relocates
- Swedish authorities' influence would decrease
- Important to have sufficiently high requirements for capital and liquidity for Nordea



# Vulnerable financial system exposed to risks

- Reduce risks linked to household indebtedness
- Strengthen banks' resilience

