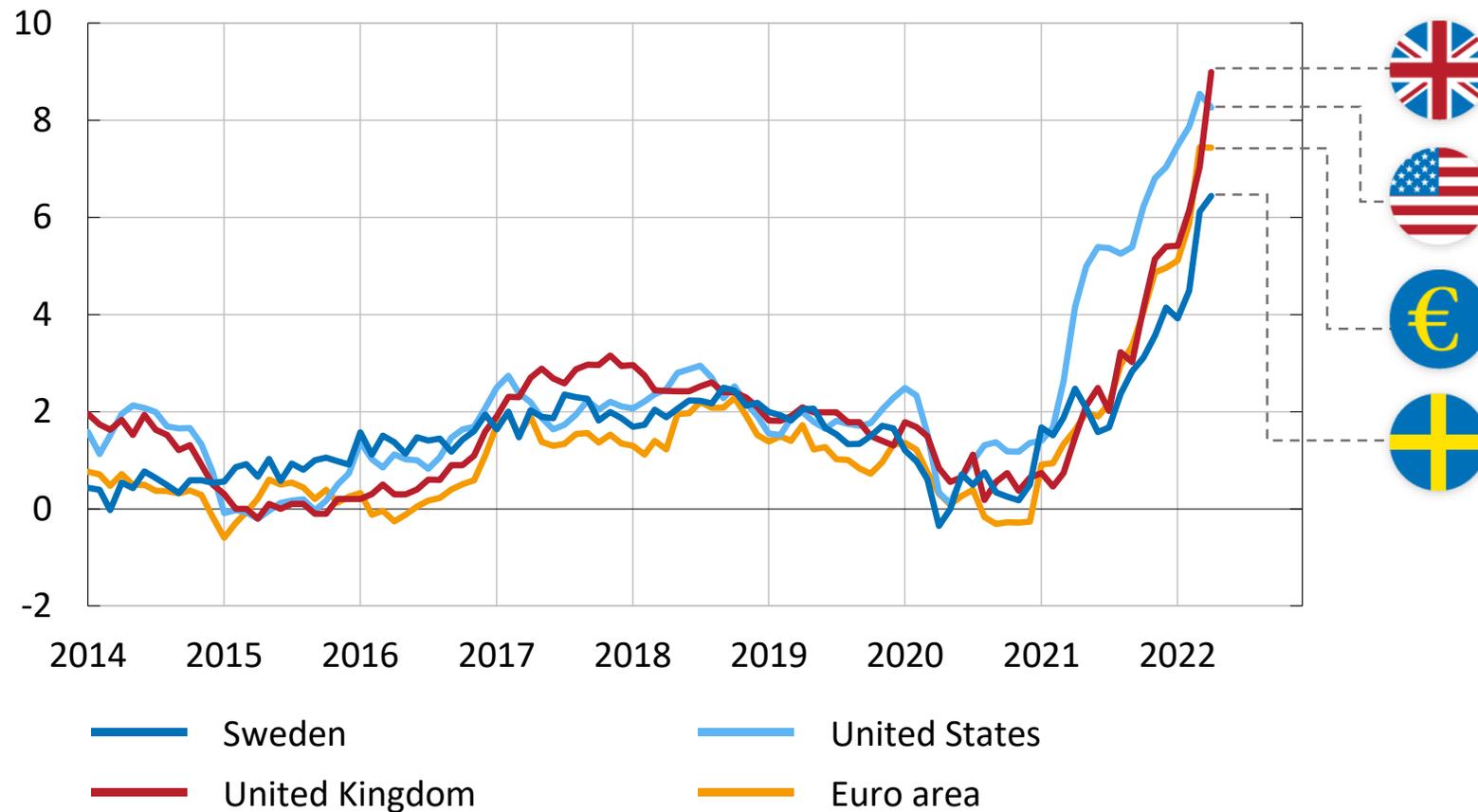


The threats to financial stability have increased

Financial Stability Report, May 2022

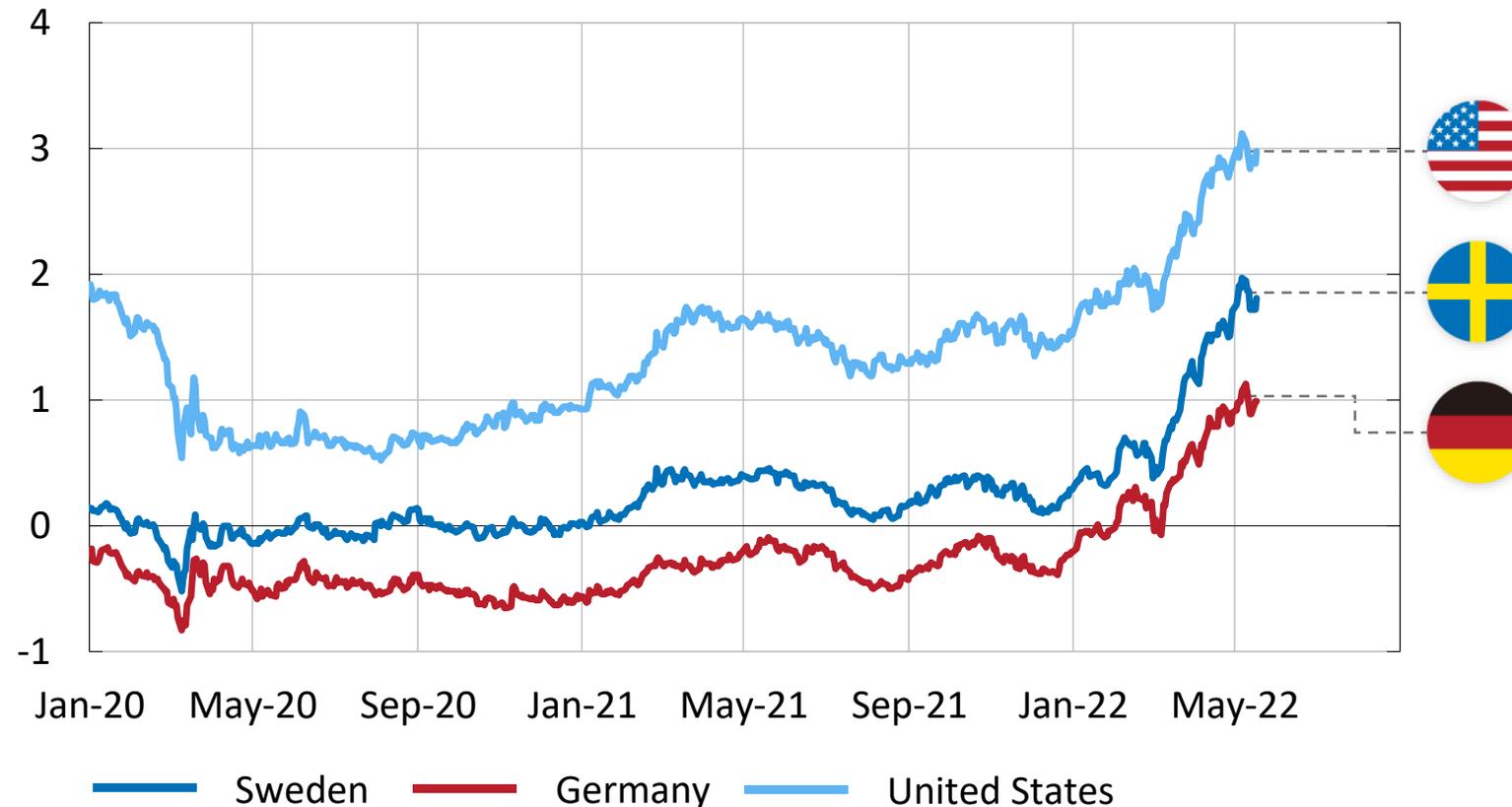
High inflation and poorer growth prospects



Note. Annual percentage change. Consumer prices refer to the CPIF for Sweden, the CPI for the United States and the United Kingdom and the HICP for the euro area. The latest observation refers to April 2022.

Source: Macrobond.

Fixed-income markets affected by a general rise in rates



Note. Per cent. 10-year benchmark rates.

Sources: Macrobond and US Treasury.

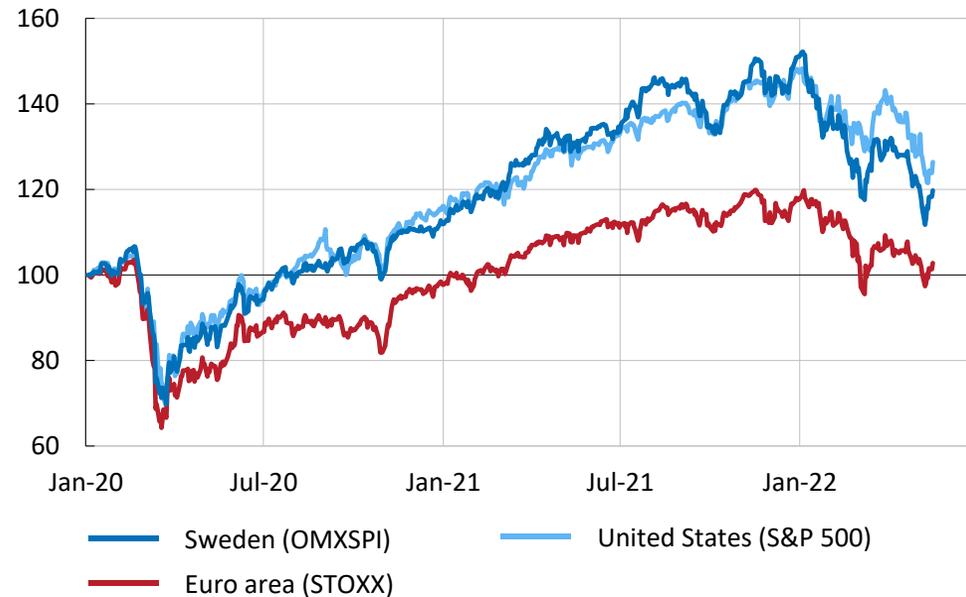
Great global uncertainty creates risks for financial stability

- Higher inflation and interest rates affect economic agents and asset markets
- The geopolitical situation and lockdowns in China affect the world economy
- In a bad scenario:
 - Functioning of financial markets may be impaired
 - The banks' loan losses can increase

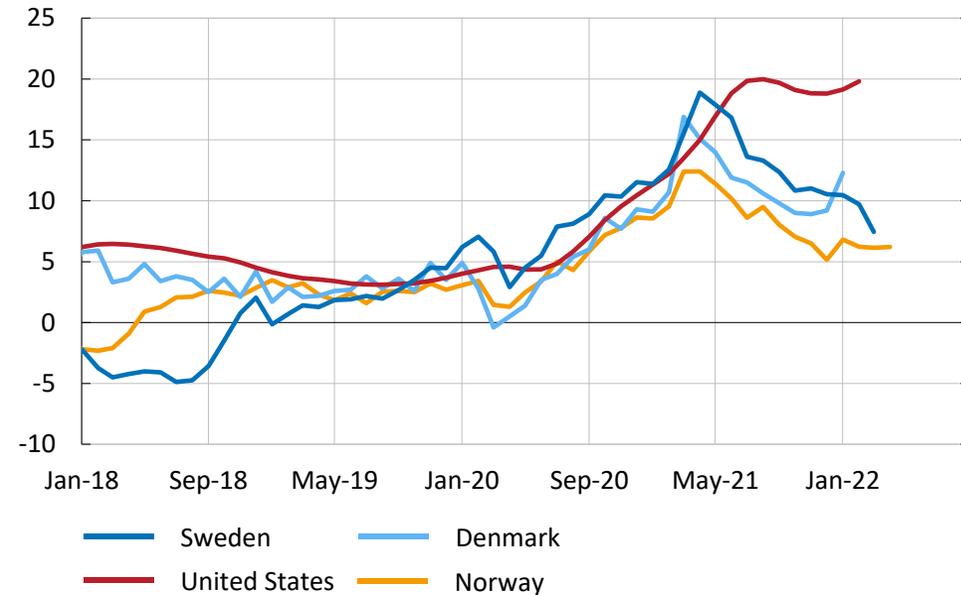


Uncertainty and high asset values increase the risk of price falls when interest rates rise rapidly

Major movements on financial markets



Housing prices are slowing down but are still high in many countries

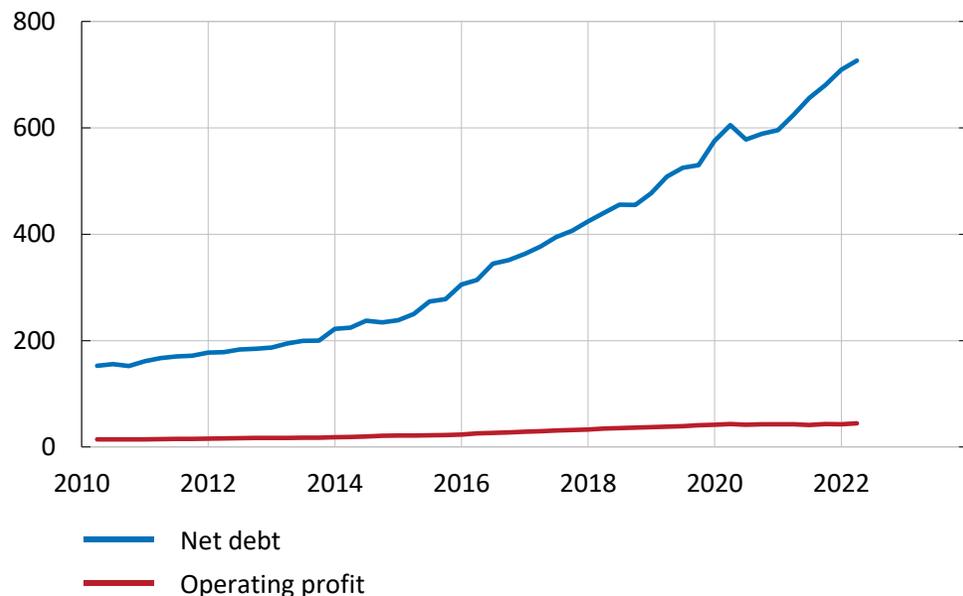


Note. Left: Index, 2 January 2009 = 100 Right: Annual percentage change. Housing prices refer to prices for both detached houses and tenant-owned apartments. The prices have been seasonally adjusted.

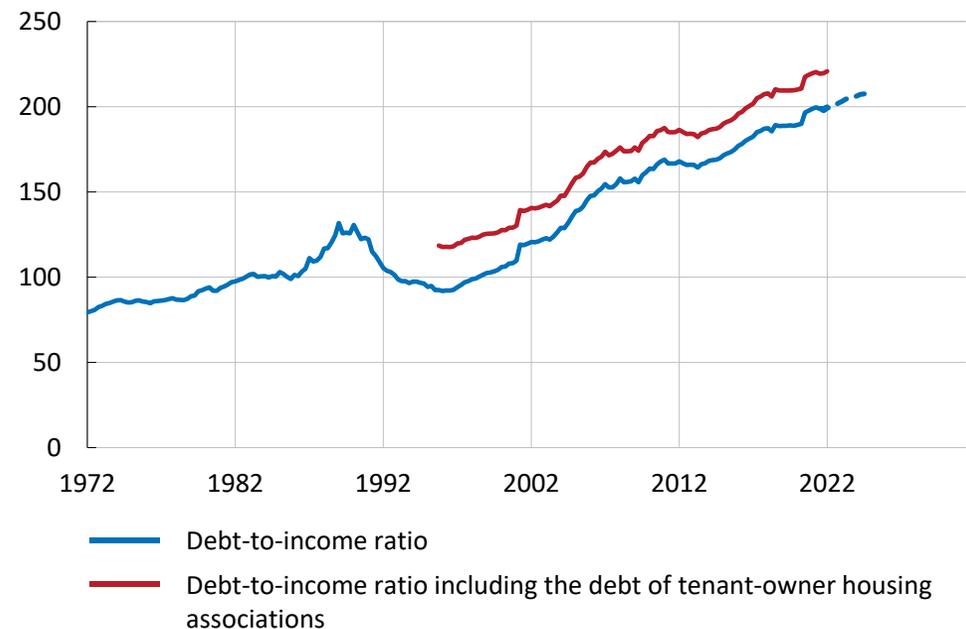
Sources: Macrobond and the Riksbank.

Previous vulnerabilities have been reinforced – highly indebted are sensitive to rising interest rates

Property companies are taking on larger loans in relation to their income



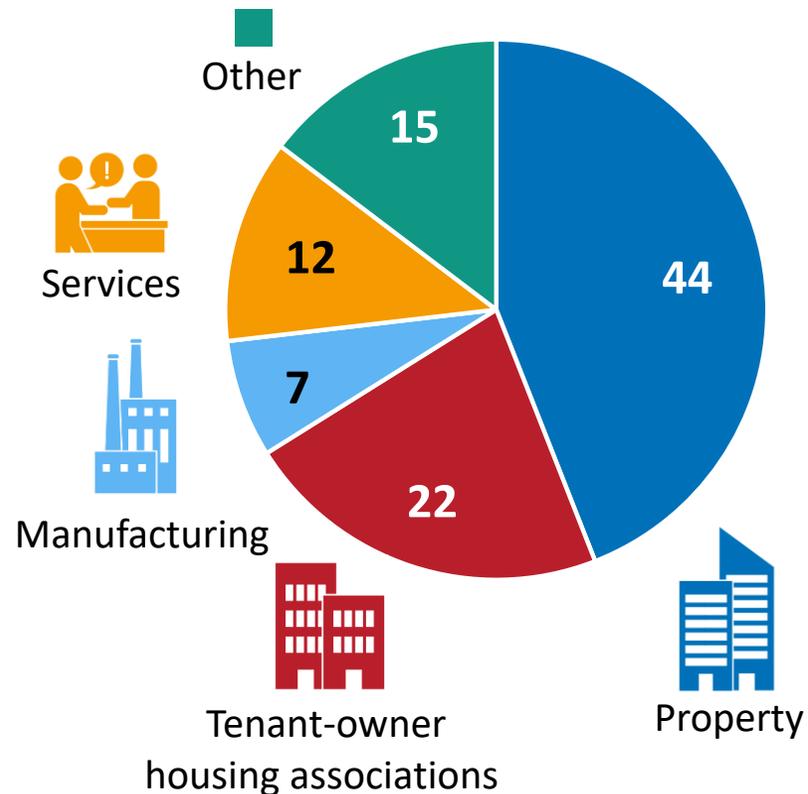
Households' debts growing more rapidly than their incomes



Note. Left: Billions. Refers to some thirty major commercial property companies in Sweden. Right: Per cent. The debt-to-income ratio refers to total household debt in relation to disposable income. Broken line represents the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank.

Higher interest rates may lead to challenges for the banks



Note. Refers to loans from monetary financial Institutions to non-financial corporations. March 2022.

- The banks have large credit exposures to property companies
- Higher interest rates pose a challenge for property companies in particular
- Combined with tighter credit conditions and poorer economic conditions, this can have serious consequences for stability

Source: Statistics Sweden.

Resilience needs to be strengthened

- Reforms needed within housing and taxation policy
- Additional macroprudential policy measures may be required
- The Riksbank supports FI's decision to continue raising the countercyclical capital buffer



Resilience also needs to be strengthened in other areas



The Basel III regulations must be fully implemented



The corporate bond market needs to become more liquid



Fully transaction-based reference rates should be used in financial contracts



The banks should be prepared to meet increased cash demand



Global challenges are affecting the Swedish financial system



Cyber – strengthen the ability to prevent, detect and manage cyber threats



Climate – actors need to incorporate risks into risk analyses and increase reporting



Cryptoassets – important with international cooperation



The threats to financial stability have increased

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