

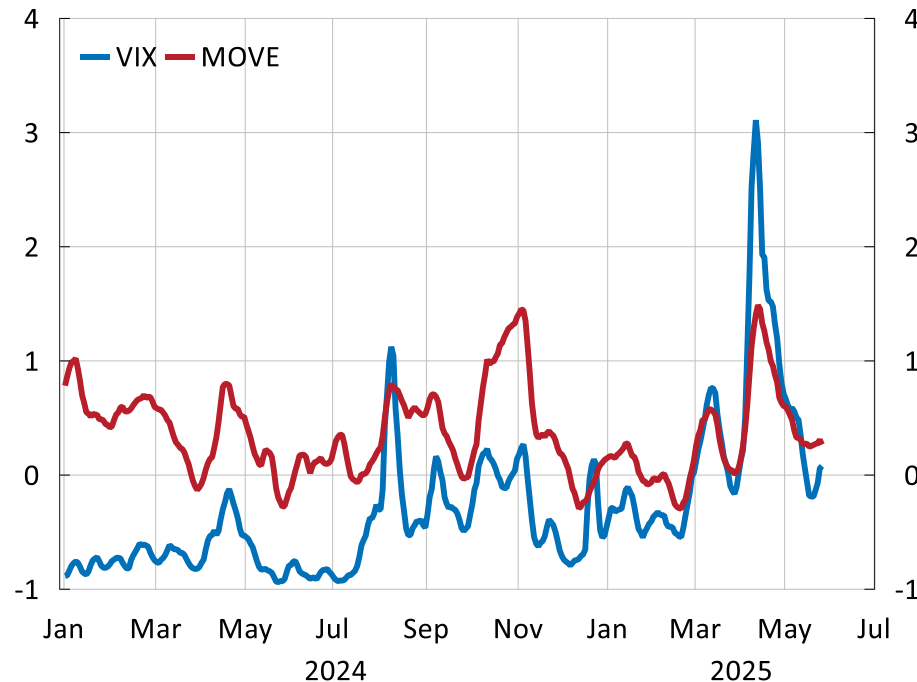


High political uncertainty in the world highlights the importance of resilience

Financial Stability Report May
2025

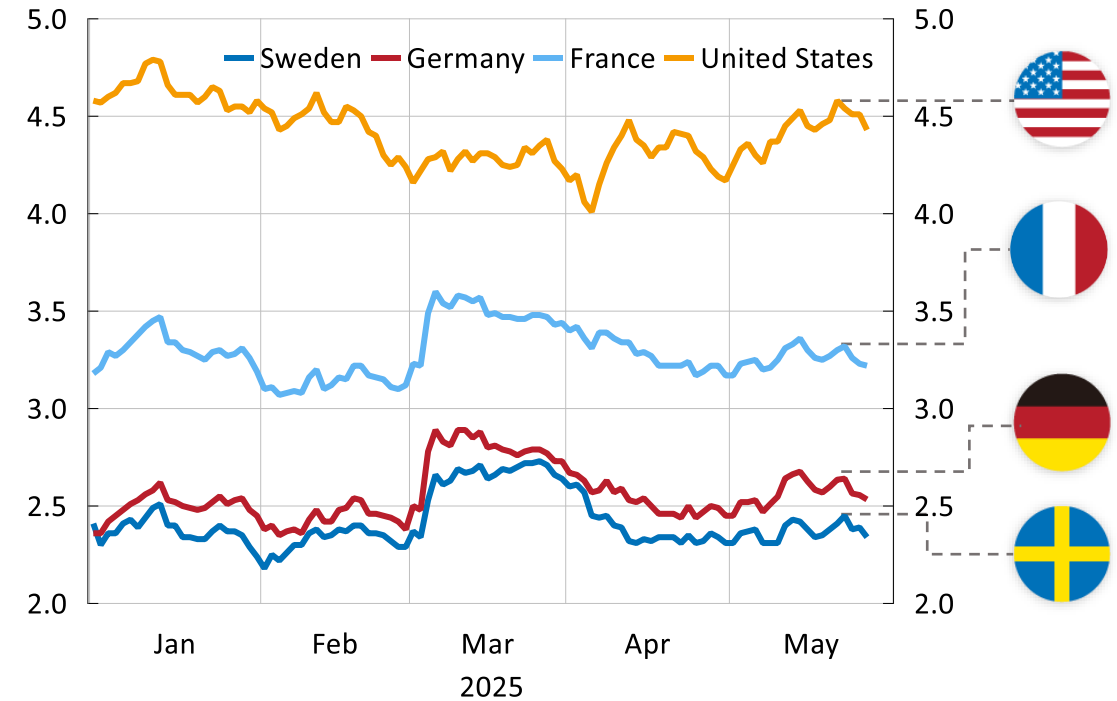
Sharp increase in global uncertainty

Expected volatility



Volatility Index (VIX) which shows the expected volatility of the US stock exchange based on option prices and the Merrill Lynch Option Volatility Estimate (MOVE) which shows expected volatility in the US bond market based on option pricing. The series are standardised and are displayed as a one-week moving average.

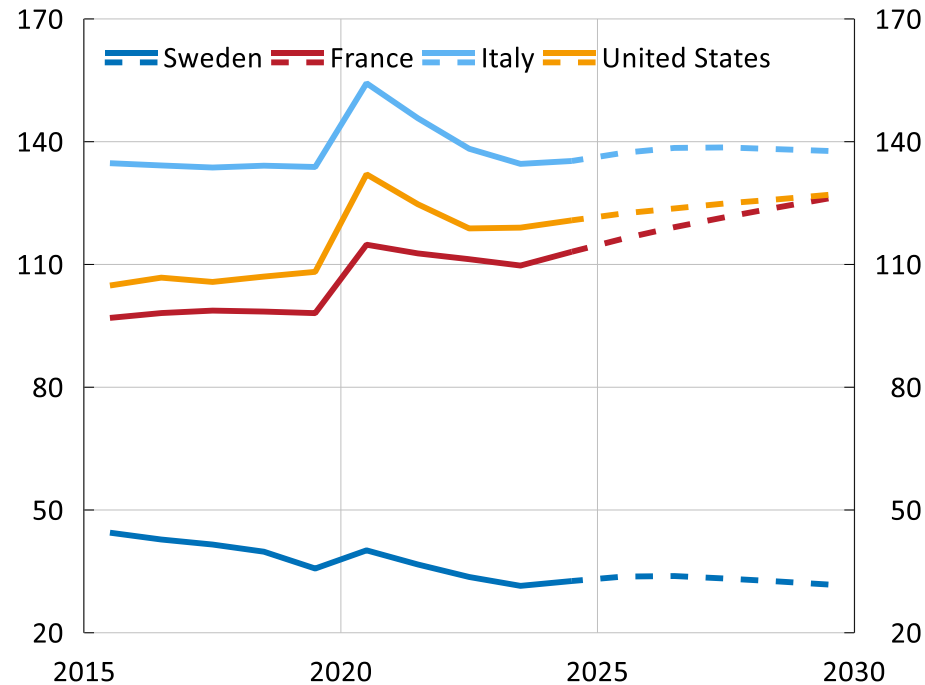
10-year benchmark rates



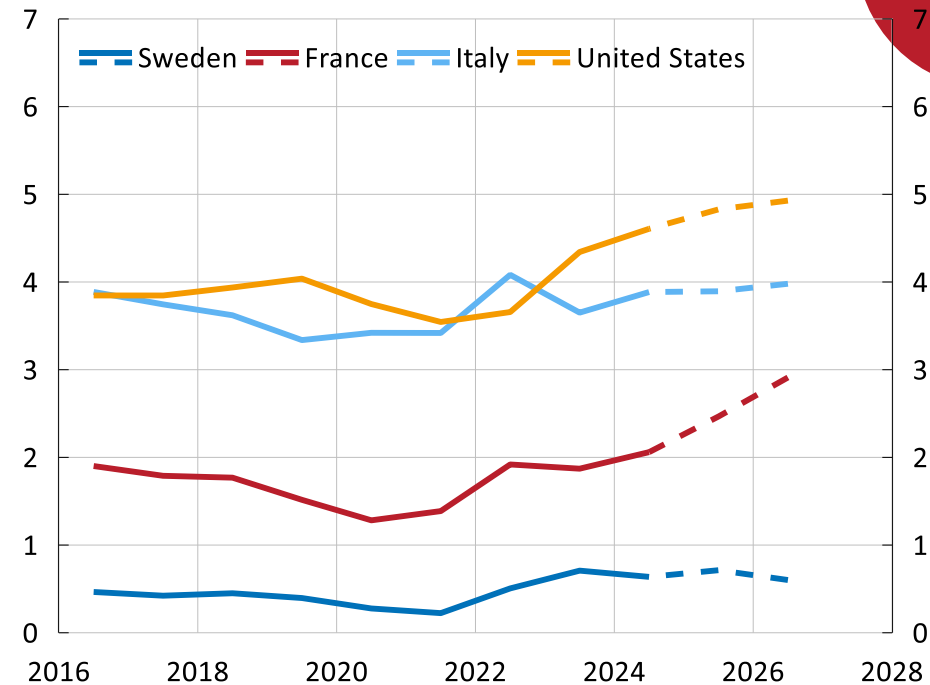
Source: Chicago Board Options Exchange (CBOE), ICE BofAML, Macrobond Financial AB

Global vulnerabilities can amplify disruptions

Large and growing government debt



Rising public sector interest costs



Increased
stability
risks

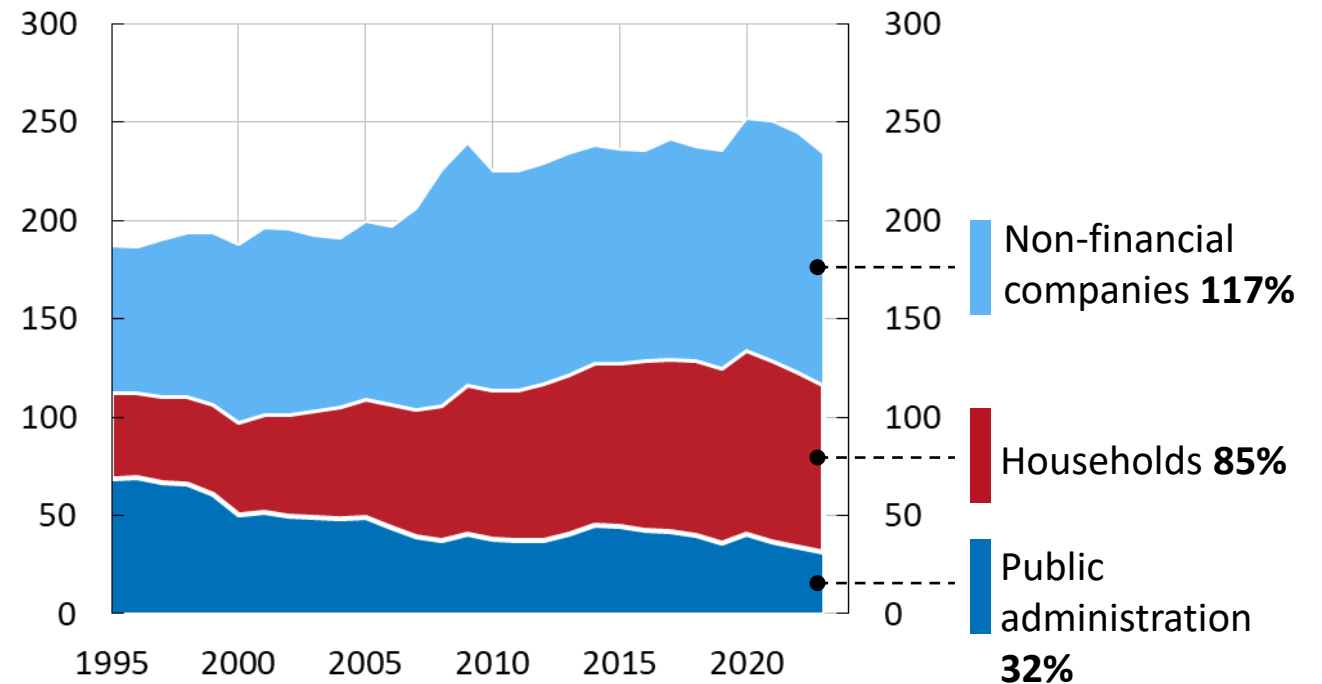
Note: The left-hand chart refers to the government debt-to-GDP ratio, where the dashed lines are the IMF forecast. The chart on the right shows government interest expenditure as a percentage of GDP, where the dashed lines are from the European Commission.

Source: Macrobond Financial AB.

Sweden is in a good starting position, but there are vulnerabilities

- Stable economic policy framework and strong public finances
- Profitable banks that meet requirements with good margins
- ▷ Dependence on the outside world
- ▷ Large and interconnected financial system
- ▷ High indebtedness in the private sector

Private and public sector indebtedness

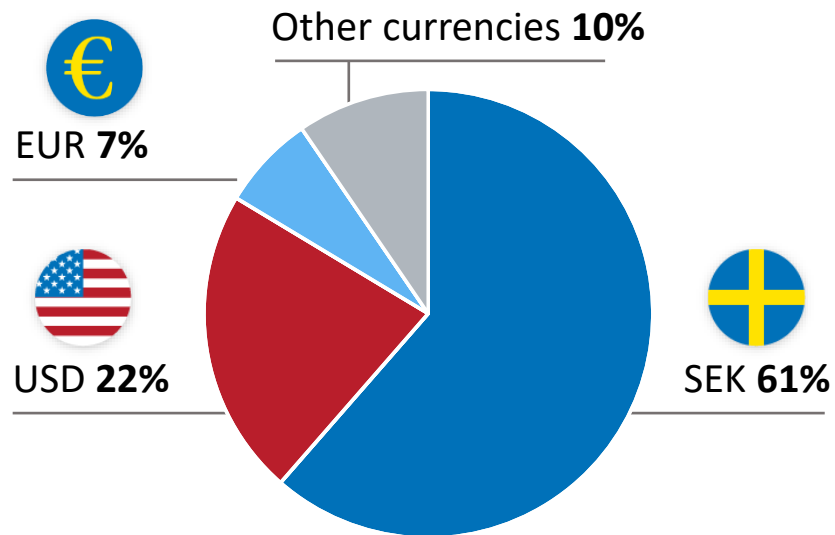


Note. Refers to consolidated debt as a percentage of GDP, per cent.

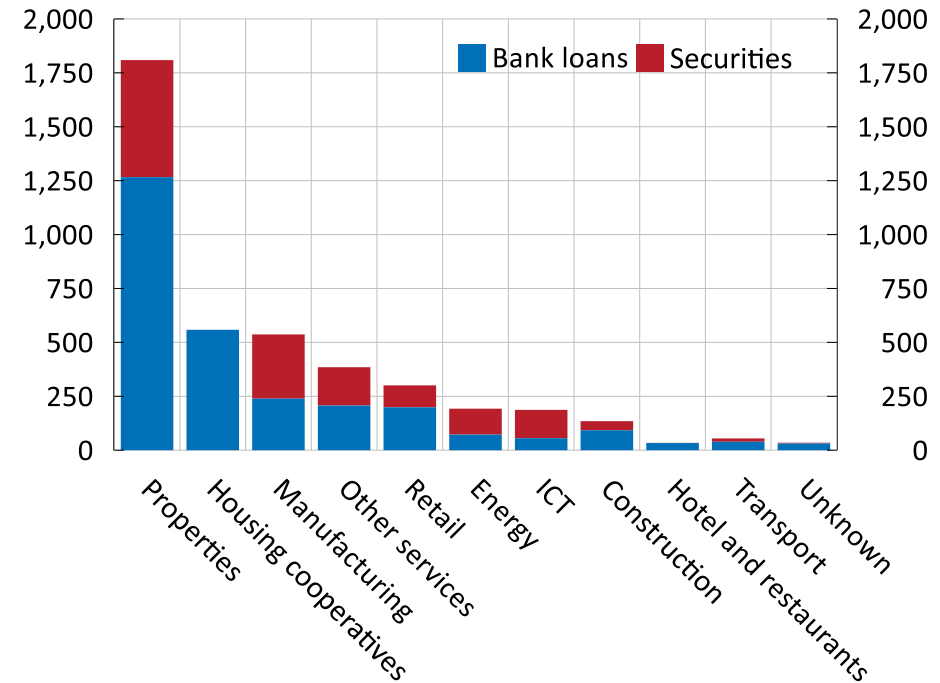
Source:
Statistics
Sweden.

Swedish households and companies have exposures to the USA

Households' financial assets



Loans in companies

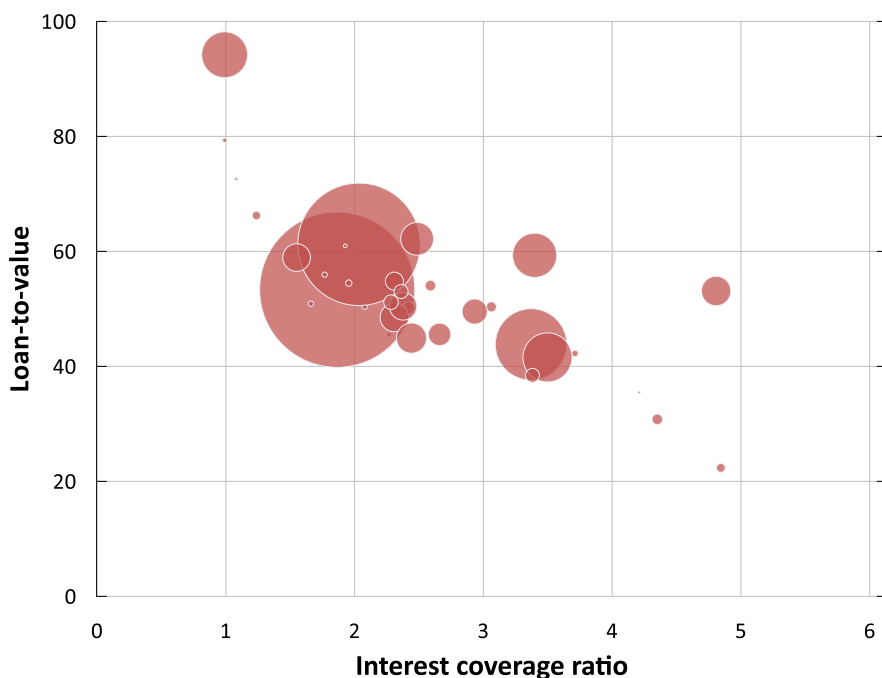


Note. The left-hand chart refers to households' equity and fund holdings in different currencies. The right-hand chart refers to outstanding bank loans from Swedish monetary financial institutions and securities issued by non-financial corporate sectors, SEK billion.

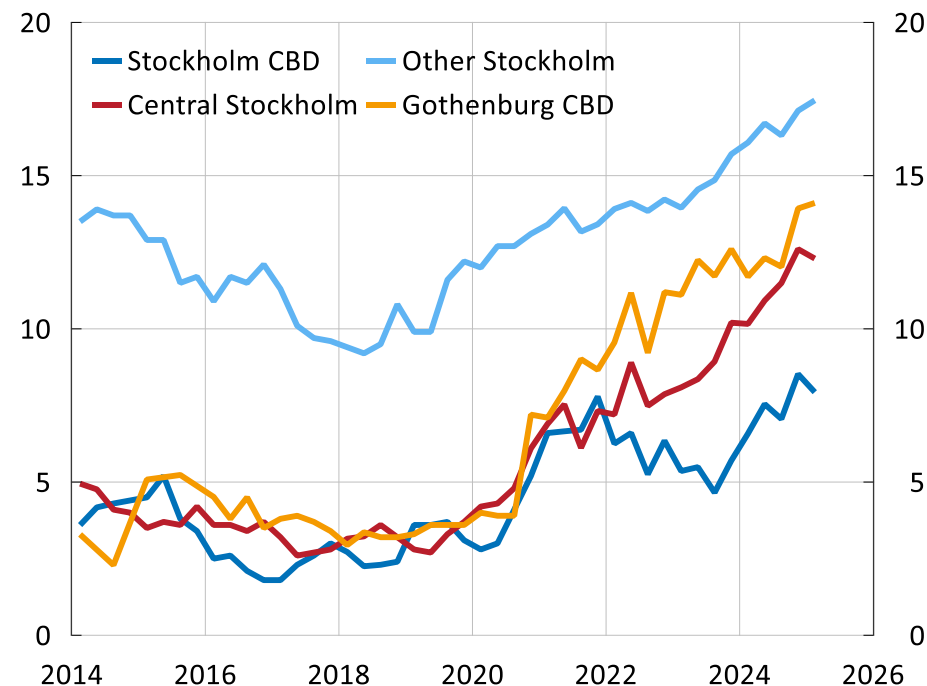
Source: Statistics Sweden and the Riksbank.

Challenges remain for property companies

Some property companies still vulnerable



Vacancies in office buildings continue to rise

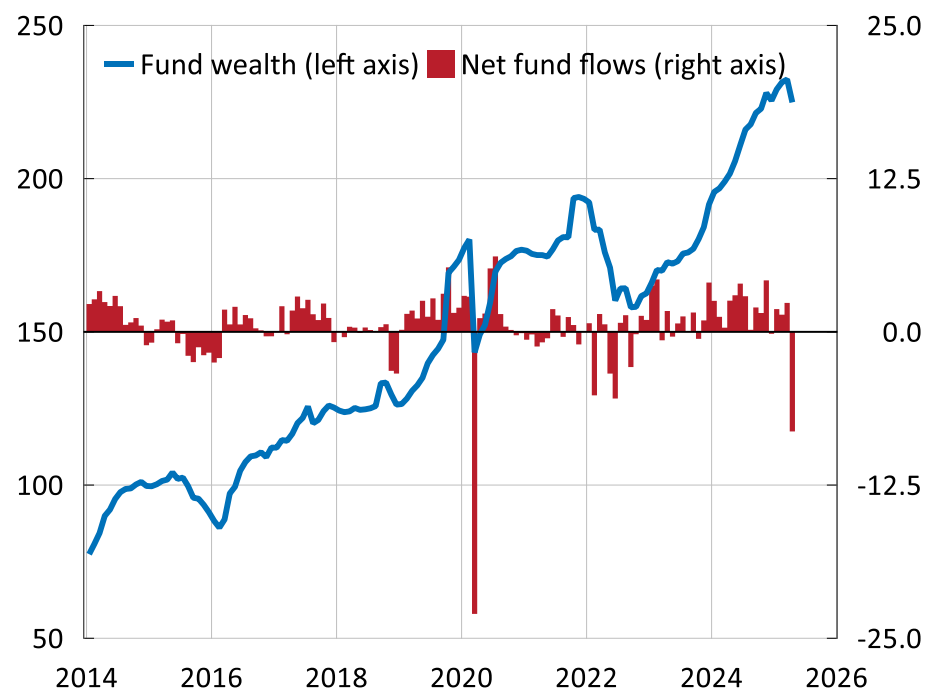


Note. The left-hand chart relates each bubble to a major property company and its indebtedness. The size of the bubble indicates the amount of loans. The right-hand chart shows vacancies among office properties, per cent.

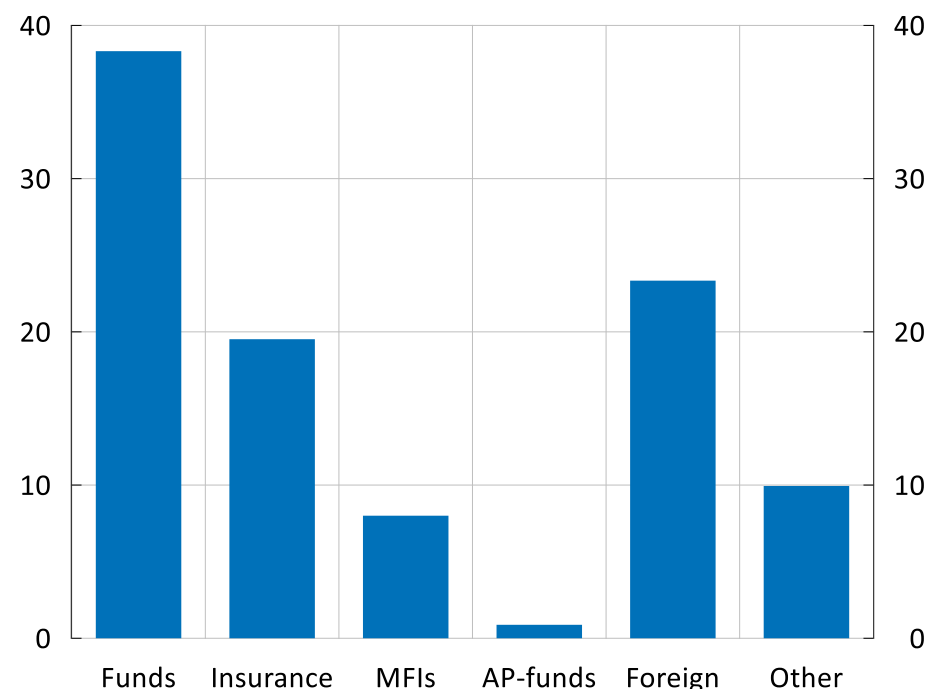
Sources: Citymark and the Riksbank.

Funds increasingly important for business financing

Large fund outflows in connection with turbulence



Funds big holders of corporate bonds

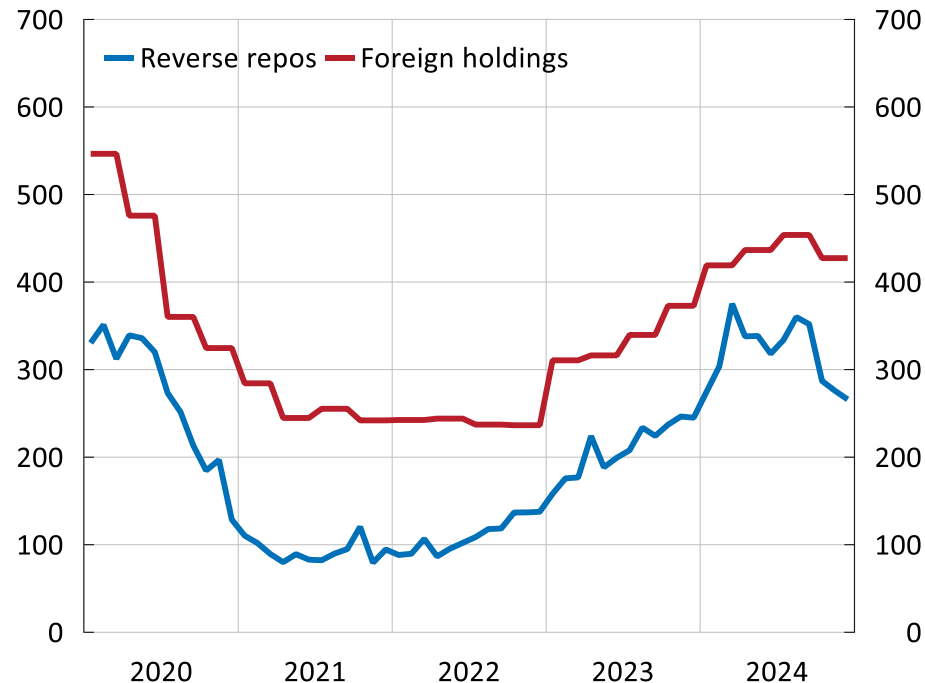


Note. The left-hand chart shows fund assets and monthly net flows, SEK billion. The right-hand chart shows holders of corporate bonds issued in Swedish kronor per quarter. 4 2024, per cent.

Sources: Swedish Investment Fund Association and the Riksbank.

Foreign actors own large holdings of Swedish covered bonds

Foreign holdings have increased

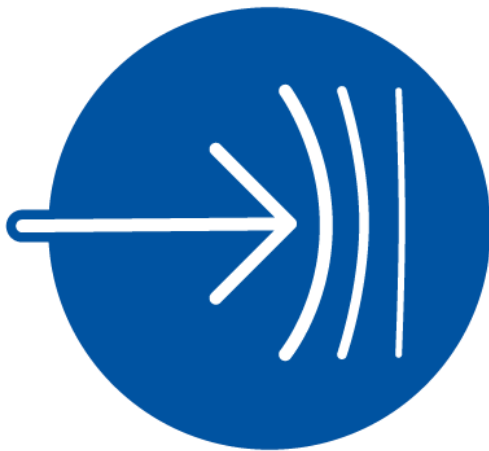


- Covered bonds play an important role in the Swedish financial system
- The foreign holdings are large, debt-financed and concentrated
- Foreign investors can be more flighty

Note: The left-hand chart refers to foreign holdings of covered bonds and reverse repos, in SEK billion. Data on reverse repos shows only loans in Swedish banks and their foreign branches, which means that loans from foreign banks and their Swedish branches are not included.

Source: The Riksbank.

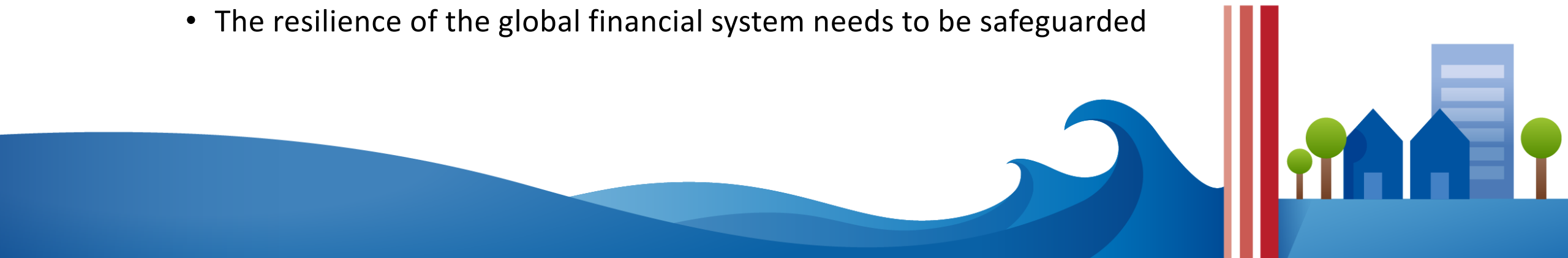
Resilience needs to be safeguarded



- Global regulation of both banks and non-banks needs to be sufficiently comprehensive
- Corporate bond funds' liquidity management needs to be strengthened
- Increased preparedness needed to cope with growing cyber threats
- Well-balanced macroprudential measures to safeguard household resilience

High political uncertainty abroad highlights the importance of resilience

- There is a substantial risk of sudden and unforeseen events
- The consequences could be significant in a highly leveraged, interconnected and global financial system
- Sweden is in a good starting position but vulnerabilities remain
- The resilience of the global financial system needs to be safeguarded





High political uncertainty abroad highlights the importance of resilience

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