

Housing market challenges – weighing today against tomorrow

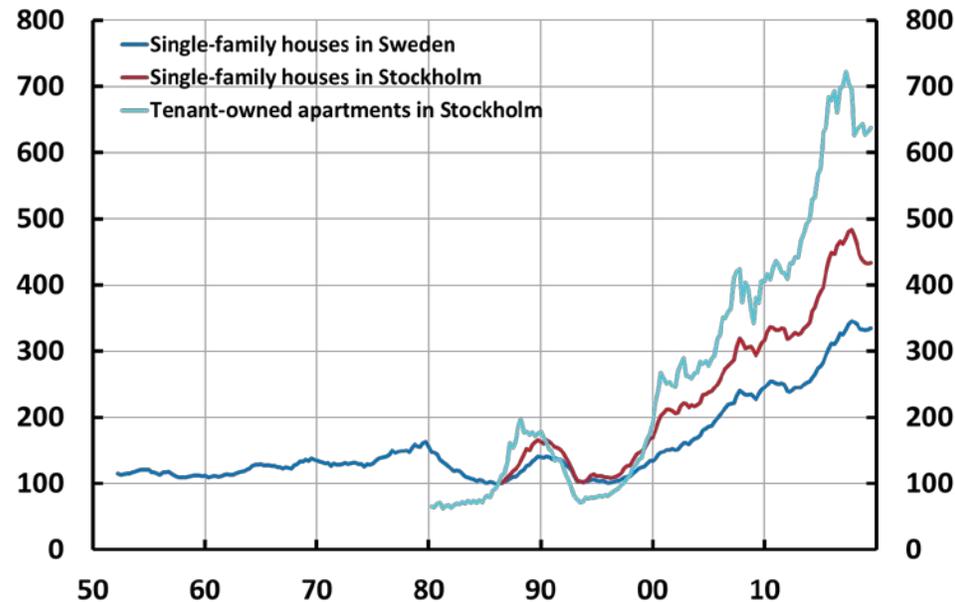
Business Arena
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Governor of Sveriges Riksbank

Rising housing prices have led households' debts to rise rapidly

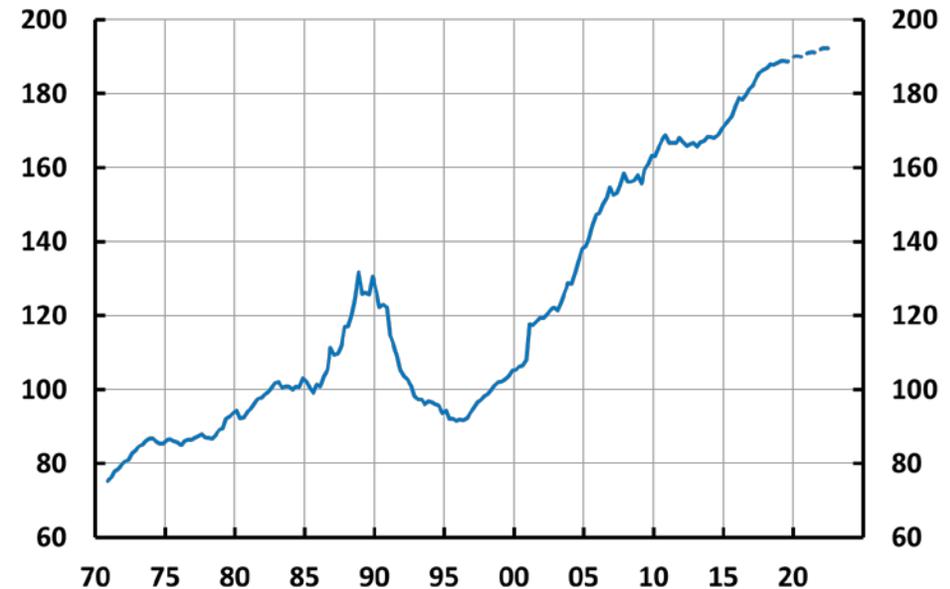
Real housing prices on high levels



Note. Index 1986 kv1=100. Housing prices have been deflated by the CPI.

Sources: Statistics Sweden, Valueguard and the Riksbank

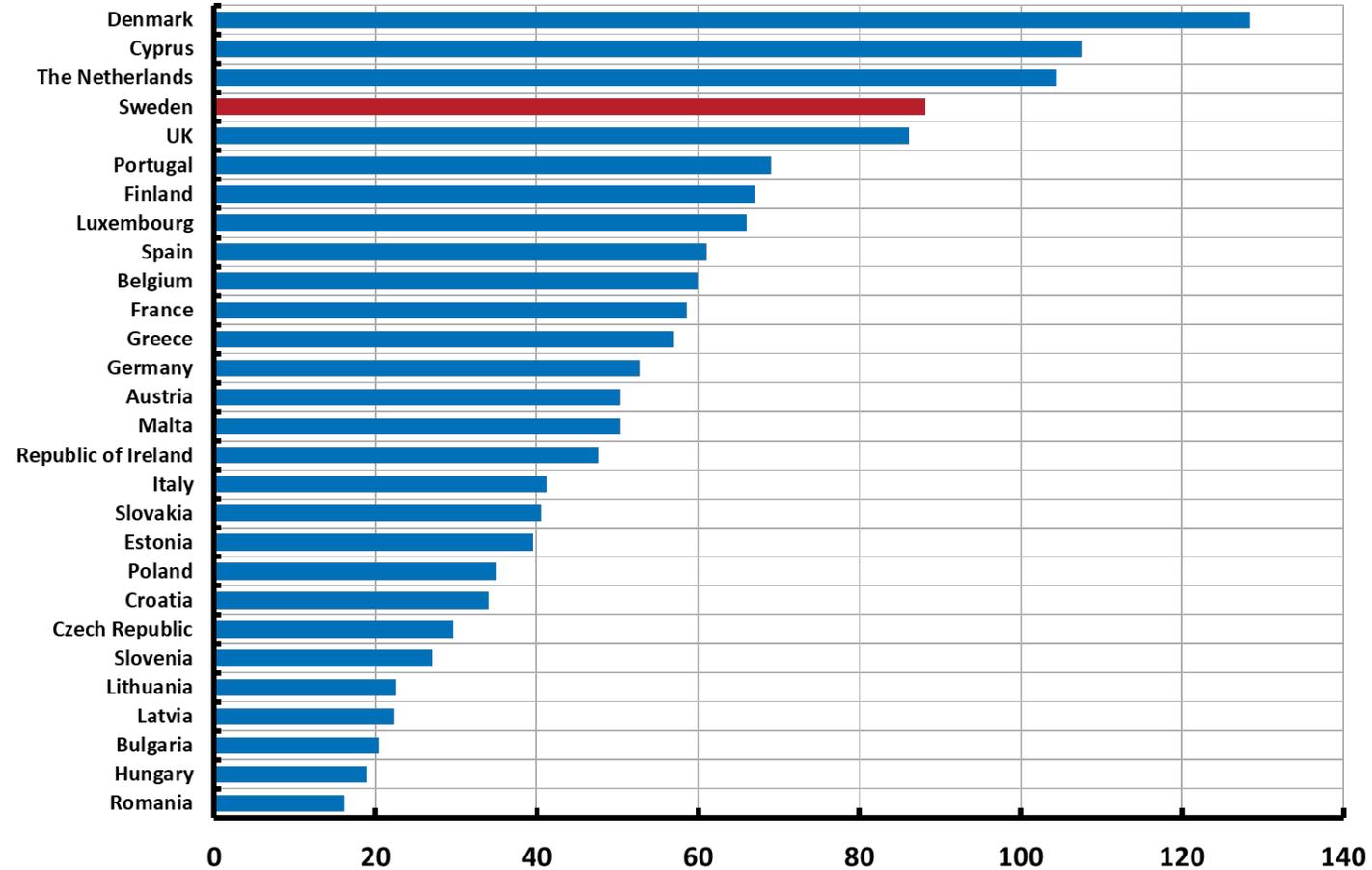
Household debt-to-income ratio is historically high



Note. Per cent. Total household debt as a share of disposable household income added together over the last four quarters.

Sources: Statistics Sweden and the Riksbank

Sweden stands out internationally

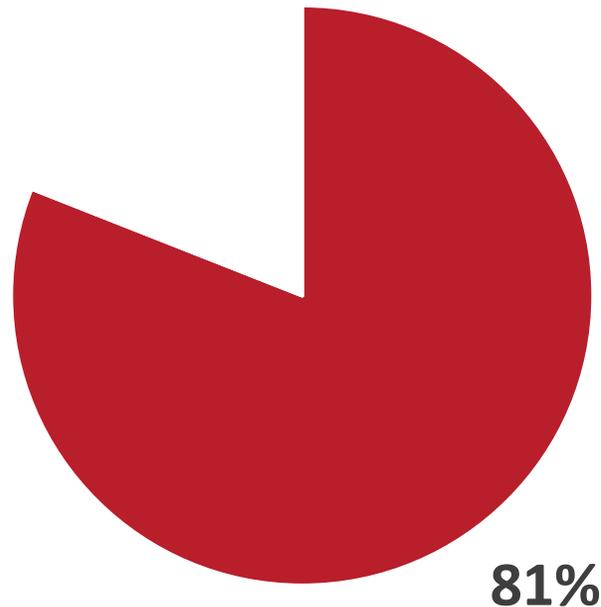


Note. Household indebtedness as a percentage of GDP.
Refers to data from 2017.

Source: Eurostat

Swedish banks are exposed to the property market

Exposure to the property sector



- The banking system is exposed to the property sector
- Dependent on wholesale funding
- Large, concentrated and interconnected

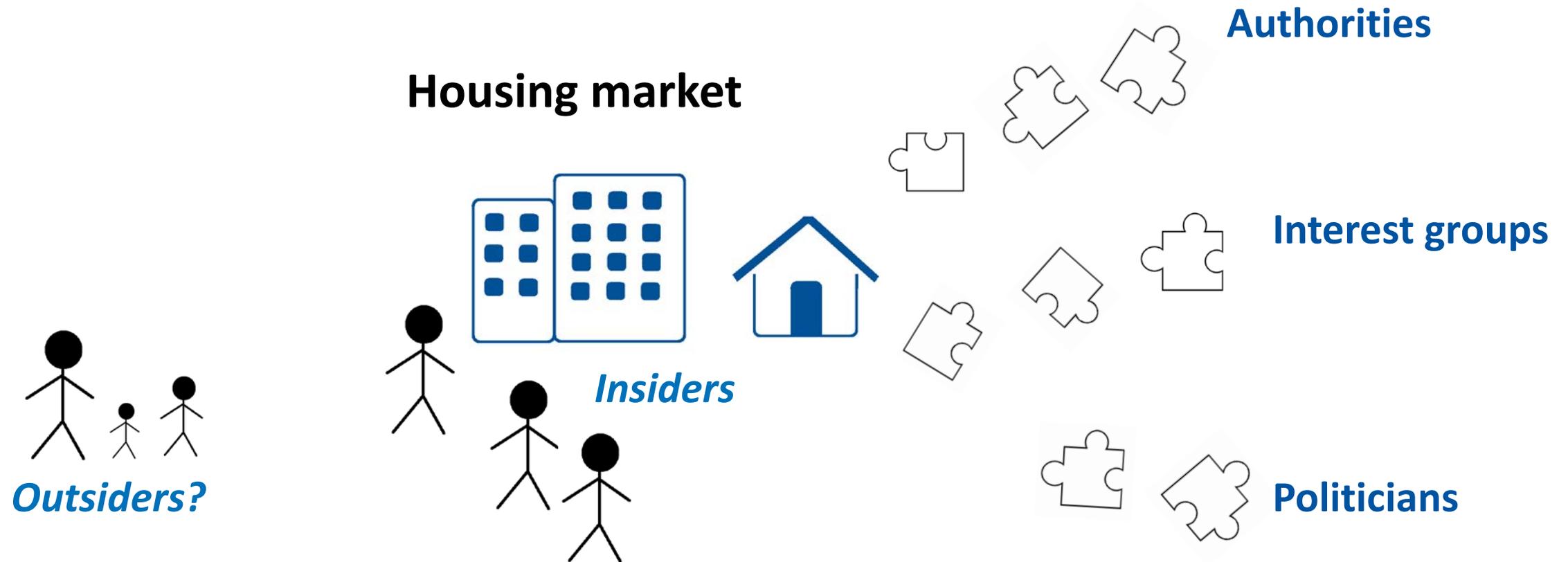
Note. Total lending by the four major banks to non-financial corporations and households with property as collateral. Refers to 2018. Per cent.

Source: Statistics Sweden

Today's housing market is beneficial for some

- Homeowners can rapidly 'climb the property ladder' – insiders
- Several groups are outside the market and cannot benefit from this development – outsiders
- But incorrect to claim that some groups are completely *excluded*

The parts do not add up to a functioning whole



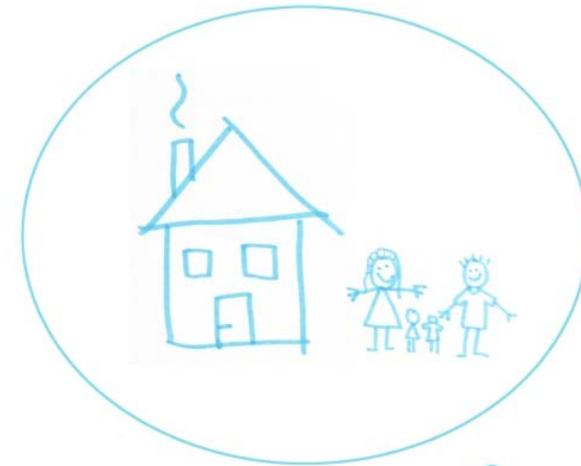
Problems on the housing market need to be managed

- Household debt constitutes a risk
- Macroprudential policy measures have made a positive contribution
 - Housing price growth has slowed
 - Households take out smaller loans in relation to their income
- But it is important that tax and housing policies manage the imbalances between supply and demand on the housing market



A better future housing market demands difficult decisions today

- Some generations have benefited at the cost of others – it is time to think of future generations' housing situation
- A new, adjusted price equilibrium on the housing market would make it easier for future generations
- It is important to balance *today's* challenges against *tomorrow's* gains



“Let me briefly sketch what a thorough reform package could look like. I hope you will forgive me for coming up with largely the same suggestion that I, sometimes with my colleagues, have presented since the start of the 1960s.”

Lindbeck, A (2016), “How can rent controls be dismantled?” *Ekonomisk debatt*.