

# Financial Stability Report

November 2018

S V E R I G E S R I K S B A N K

# Risks linked to global developments



Trade conflicts

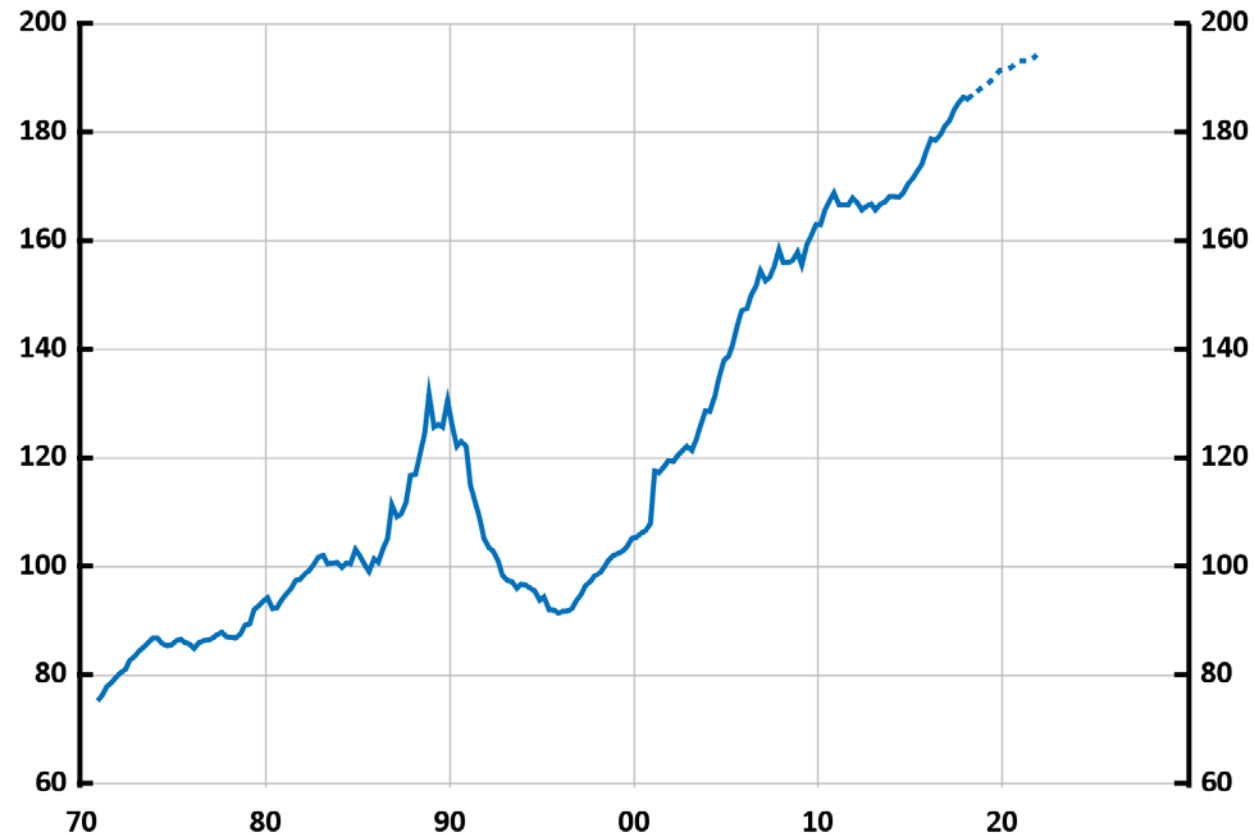
Brexit

Emerging market economies

European banking sector

Public finances in Europe

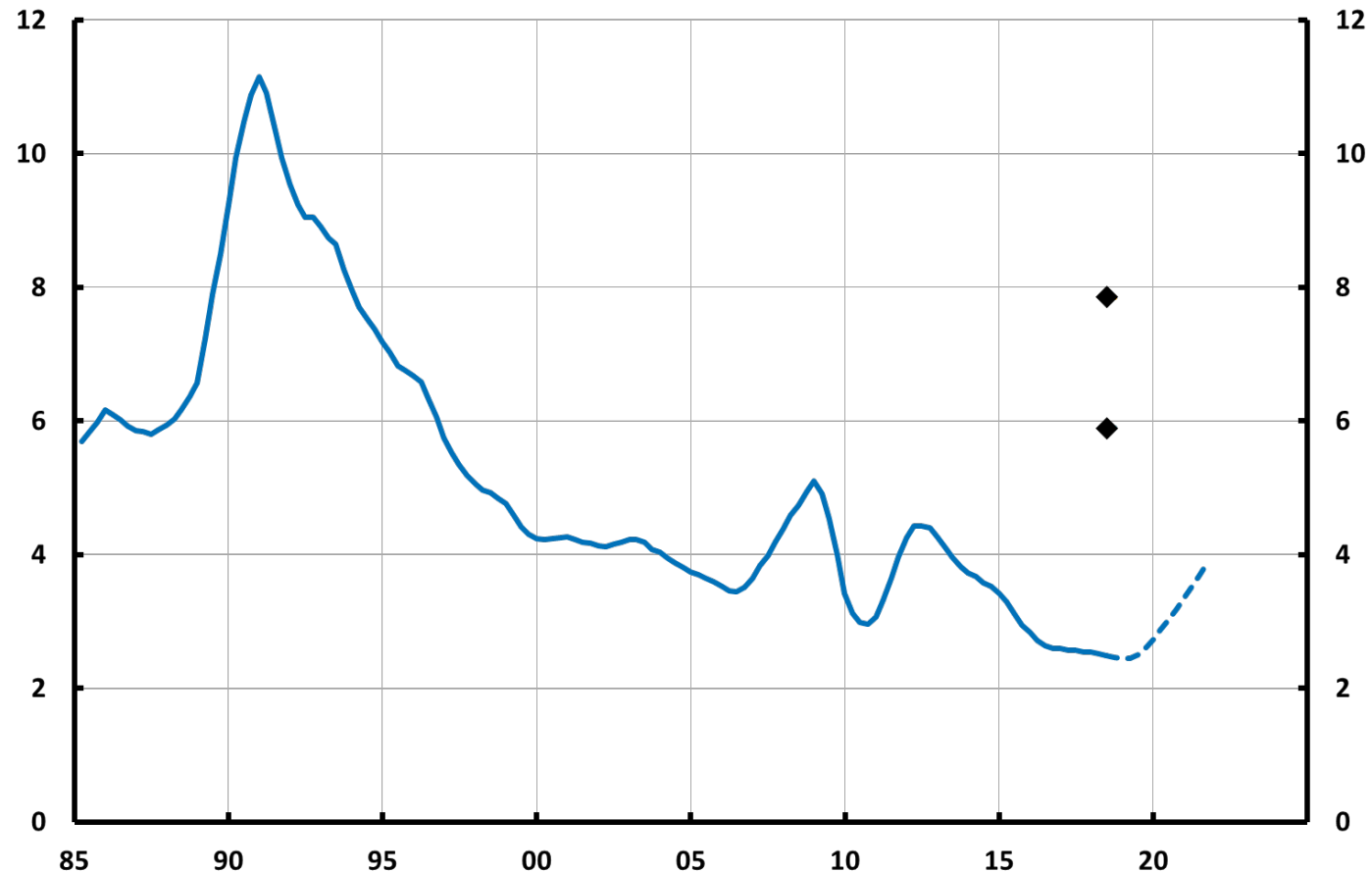
# Household indebtedness – the greatest risk



Household debt ratio, percentage of annual disposable income. Total debts as a share of households' disposable incomes, totalled over the past 4 quarters.

Sources: Statistics Sweden and the Riksbank

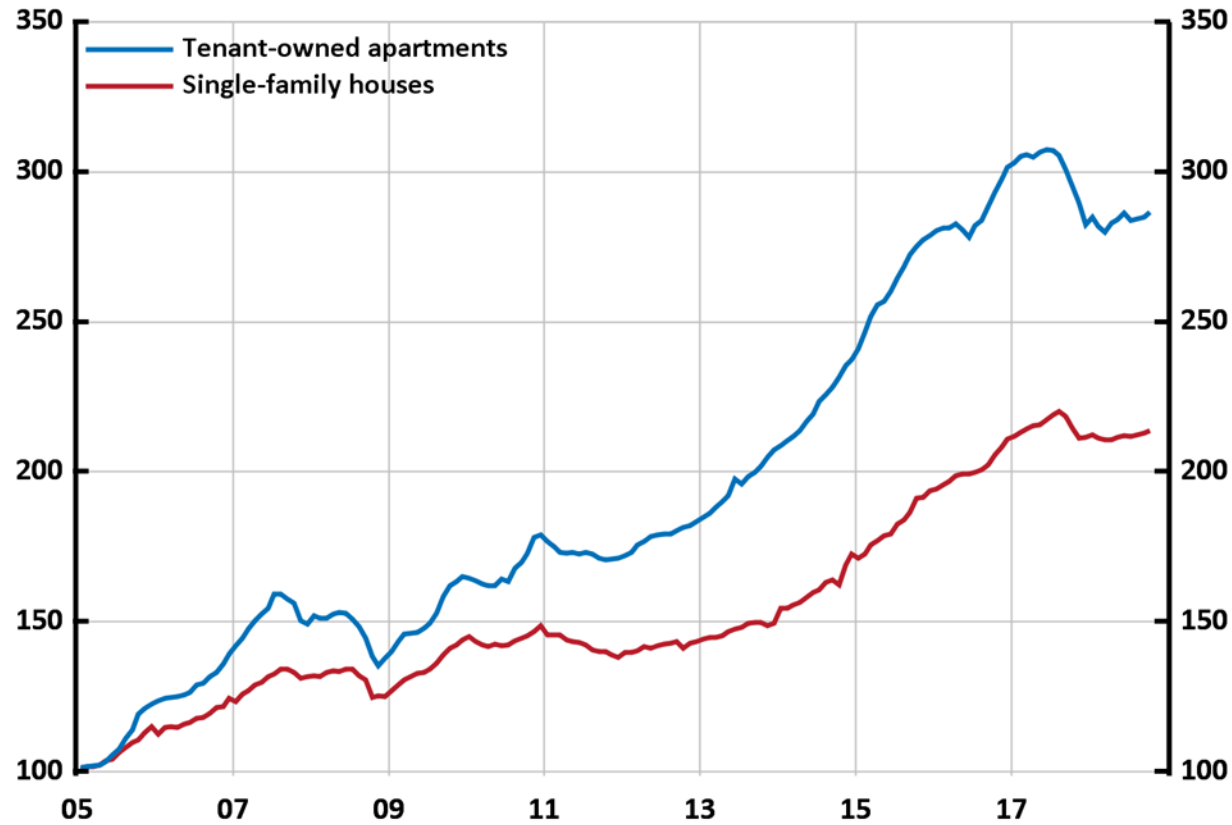
# High indebtedness making households sensitive



Household interest expenses as a percentage of annual disposable income, per cent. The rhombuses show an interval for interest expenditure that is calculated on the current debt-to-income ratio, a long-term interval for the repo rate of 2.5–4 per cent and an assumption of a 2 percentage points margin between the repo rate and the interest rate faced by households. The broken line shows the Riksbank's forecast. Interest expenses are adjusted for tax relief.

Sources: Statistics Sweden and the Riksbank

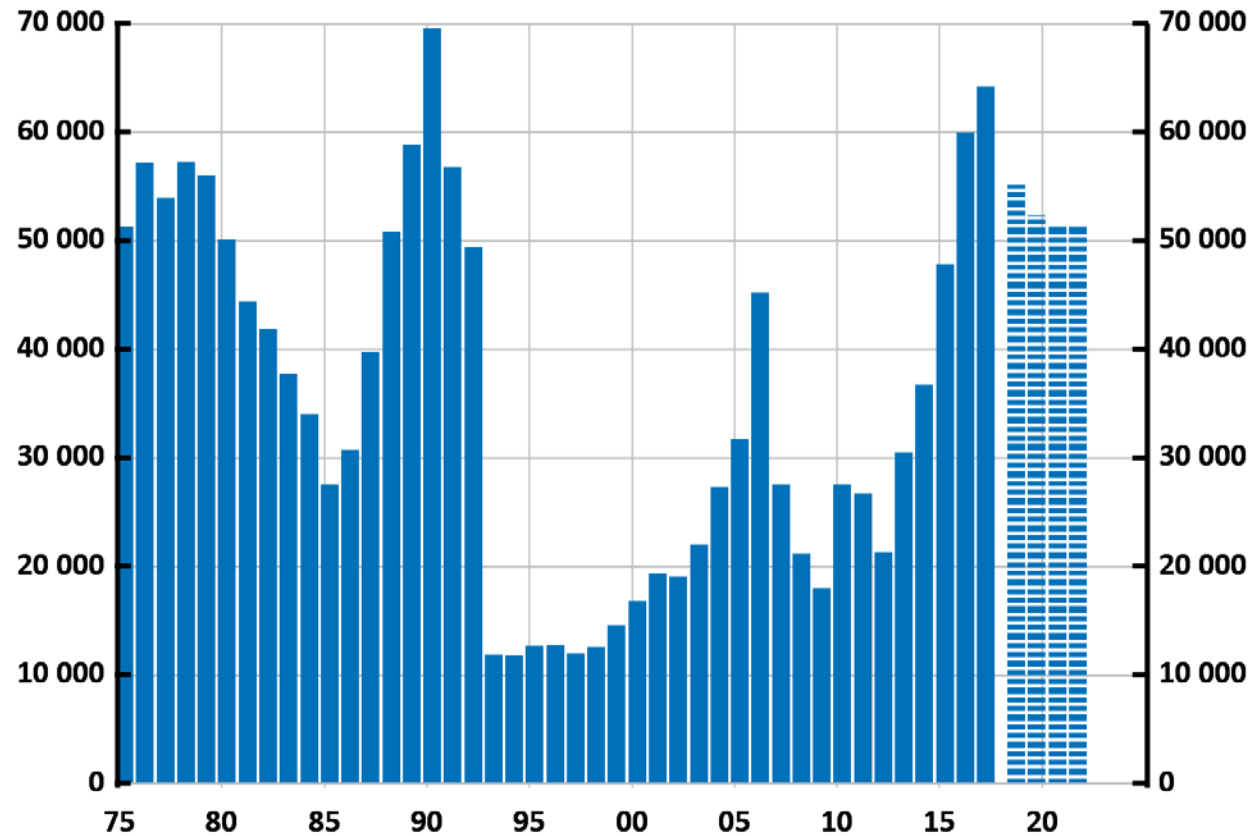
# Rate of price increase on housing slowing down



Housing prices in Sweden, index 2005 = 100. Housing prices are seasonally-adjusted.

Sources: Valueguard and the Riksbank

# Still substantial need of new housing, but reduced housing investment going forward



New housing starts, number. The broken columns show the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank

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

- Structural measures on the housing market
- Tax rules need to be revised
- Thorough credit assessment for mortgages
- Appropriate macroprudential policy



# Concentrated and interlinked banking system

**Large**

The banking system is still large after Nordea's relocation

**Concentrated**

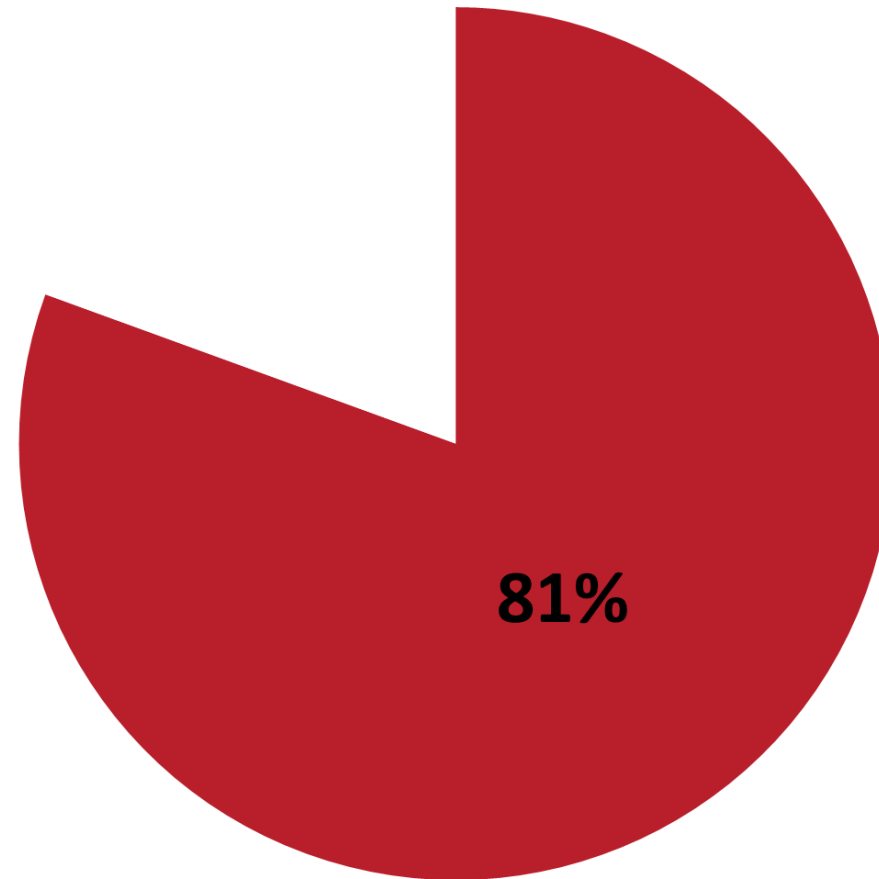
Major banks responsible for 75 per cent of lending in Sweden

**Interconnected**

Major banks have exposures to one another



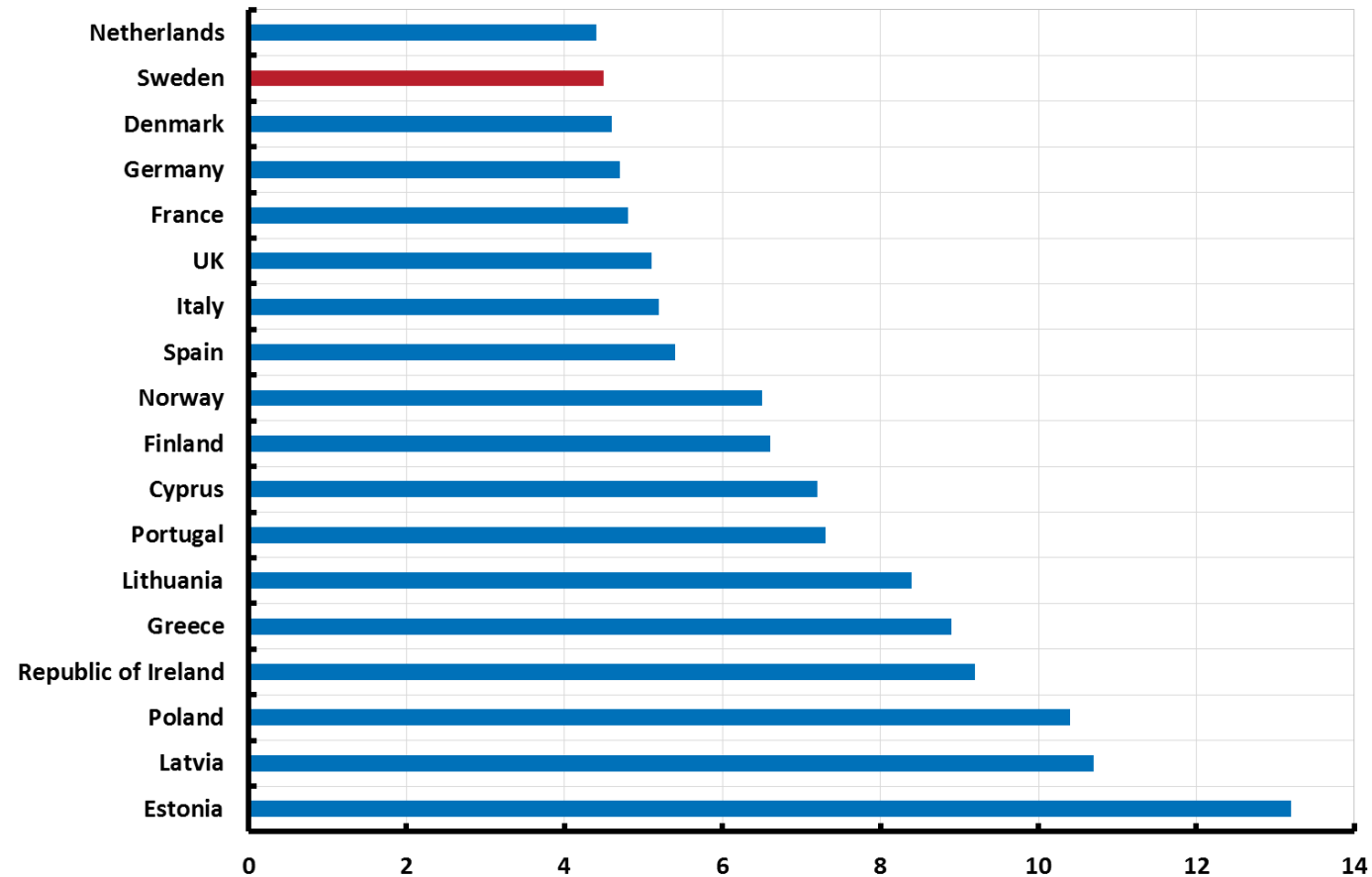
# The banks are exposed to the housing and property sectors



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

Source: Statistics Sweden

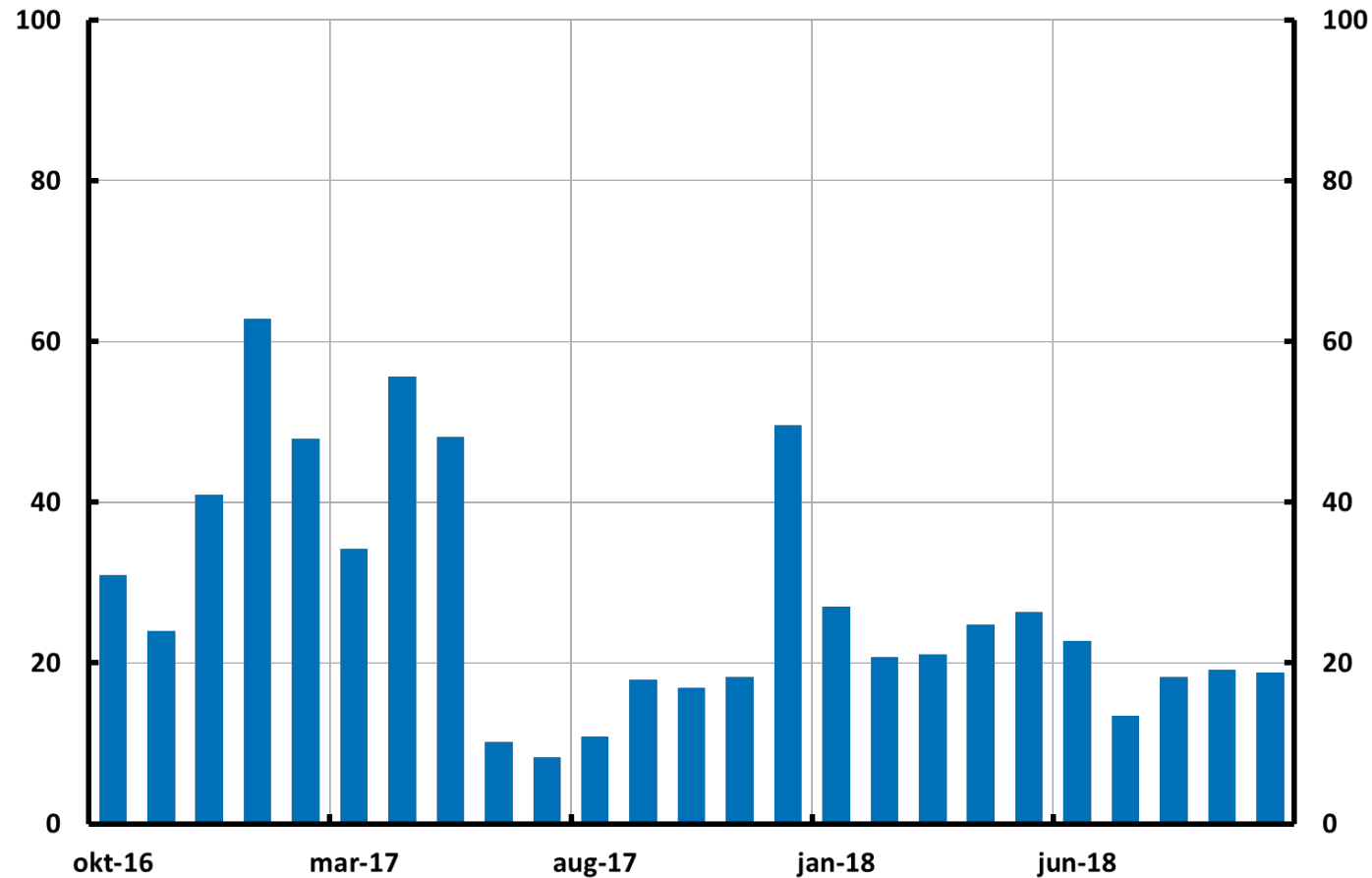
# Banks need to strengthen their resilience



Leverage ratios in different countries, per cent, June 2018. Refers to weighted average per country.

Source: European Banking Authority (EBA)

# The banks need to manage their liquidity risks themselves



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

Source: The Riksbank

# Vulnerable financial system exposed to risks

Reduce risks linked to household indebtedness

Strengthen banks' resilience