



Financial Stability Report

November 2019

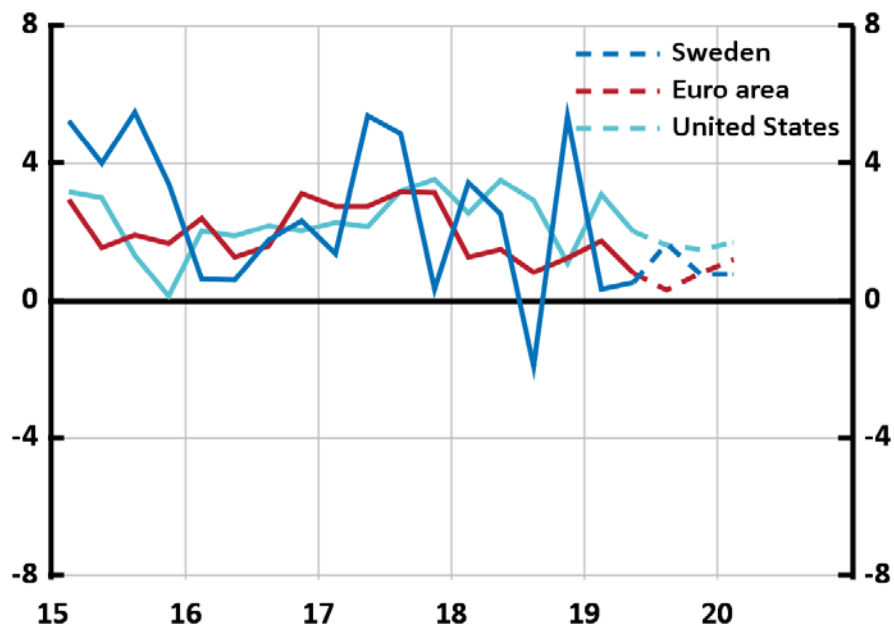
S V E R I G E S R I K S B A N K



The risks to financial stability in Sweden
are slightly greater than in the spring

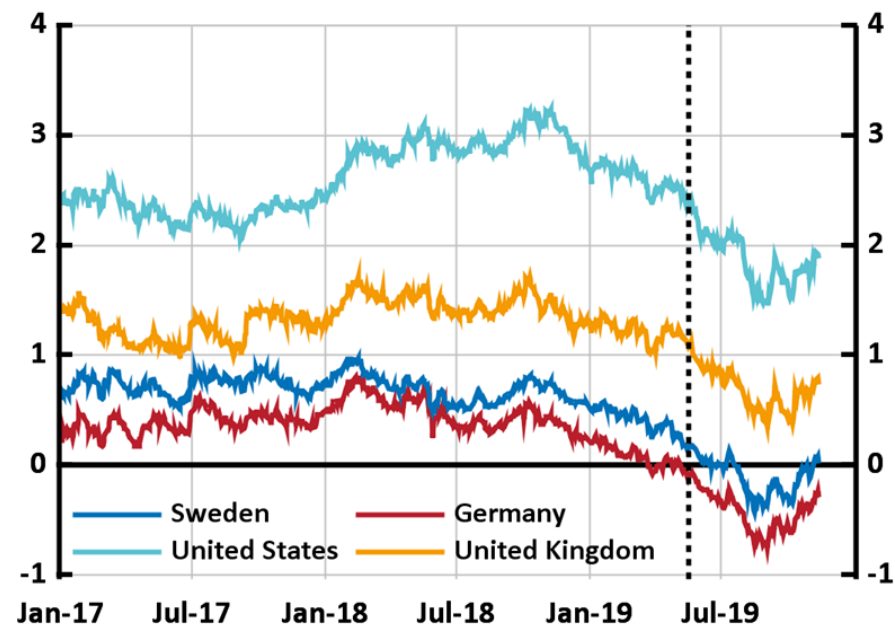
Economic slowdown and continued low interest rates

Weaker growth prospects



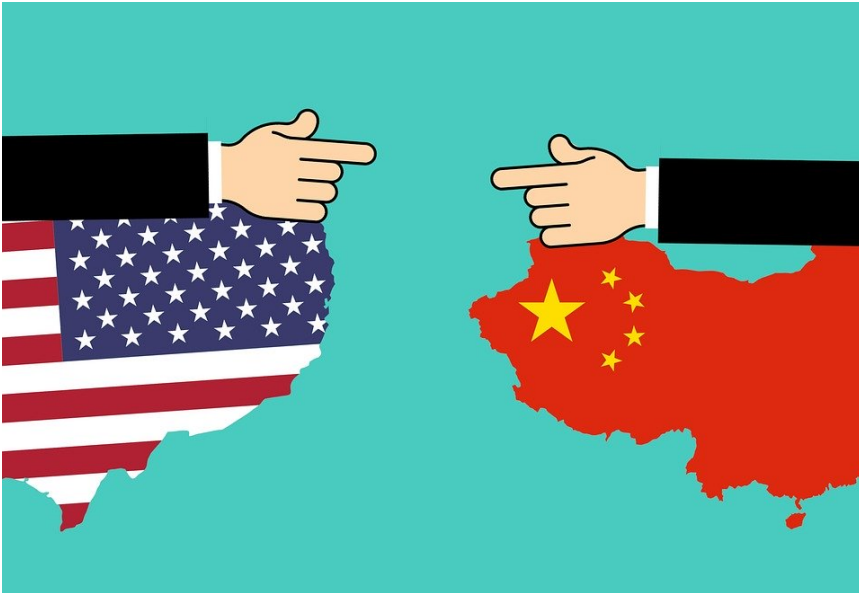
GDP, quarterly changes in per cent calculated as an annual rate.
Sources: Bureau of Economic Analysis, Eurostat, Statistics Sweden and the Riksbank

Lower government bond yields



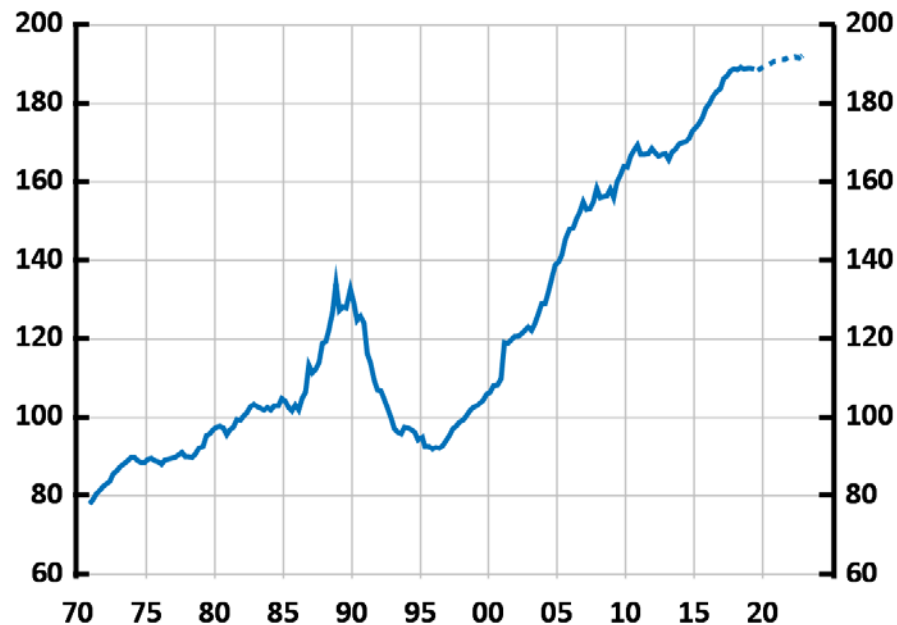
Yields on 10-year government bonds, per cent.
Sources: Macrobond and the Riksbank

Uncertainty abroad remains



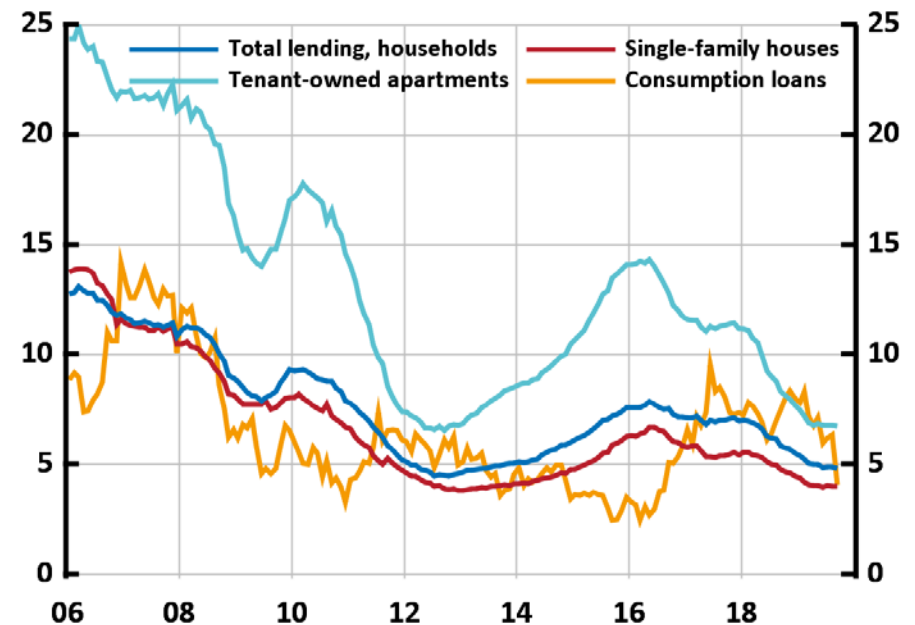
Household indebtedness – the largest domestic risk

Debt is still high...



Total household debt as a share of disposable household income added together over the last four quarters. The dashed line represents the Riksbank's forecast.

... but growing at a slightly slower rate

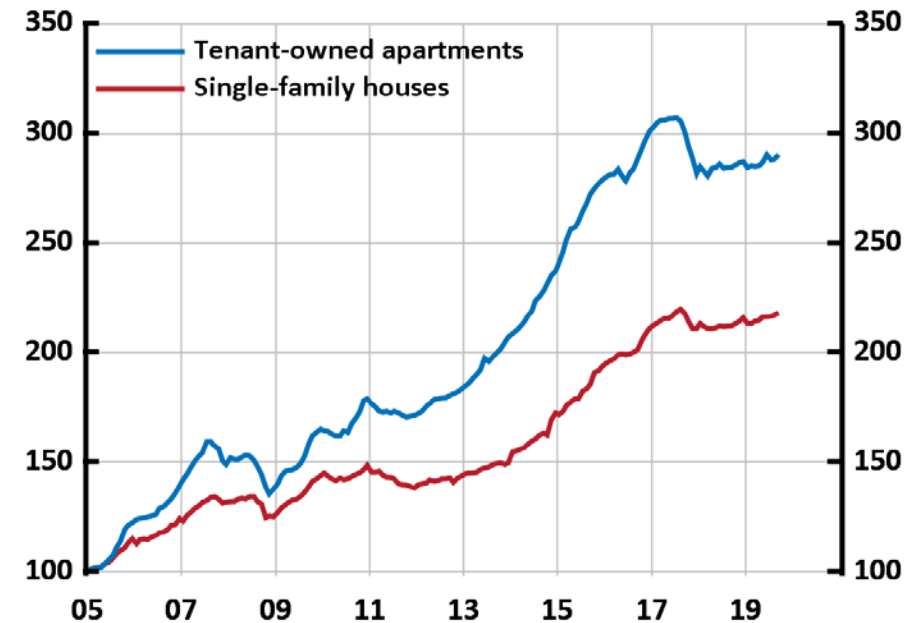


Credit growth, annual percentage change. Refers to loans from monetary financial institutions (MFIs).

Sources: Statistics Sweden and the Riksbank

Problems on the housing market need to be managed

- Housing prices have stabilised, but uncertainty remains
- The housing market functions poorly
- Important that tax and housing policy manage the problems – sporadic measures not enough

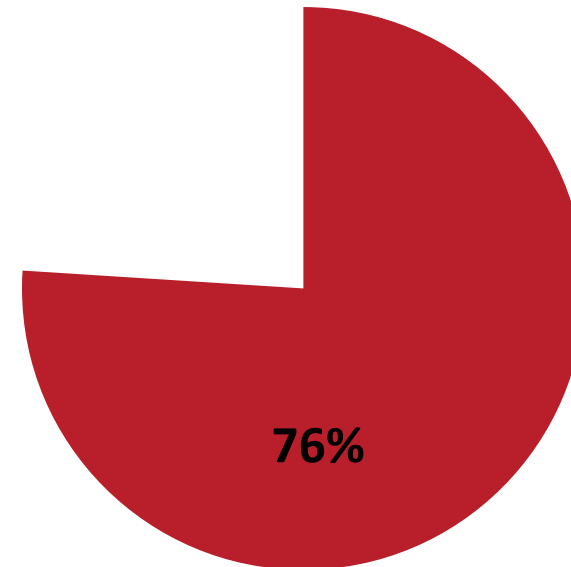


Housing prices in Sweden, index 2005=100. Housing prices are seasonally-adjusted.

Sources: Statistics Sweden, Valueguard and the Riksbank

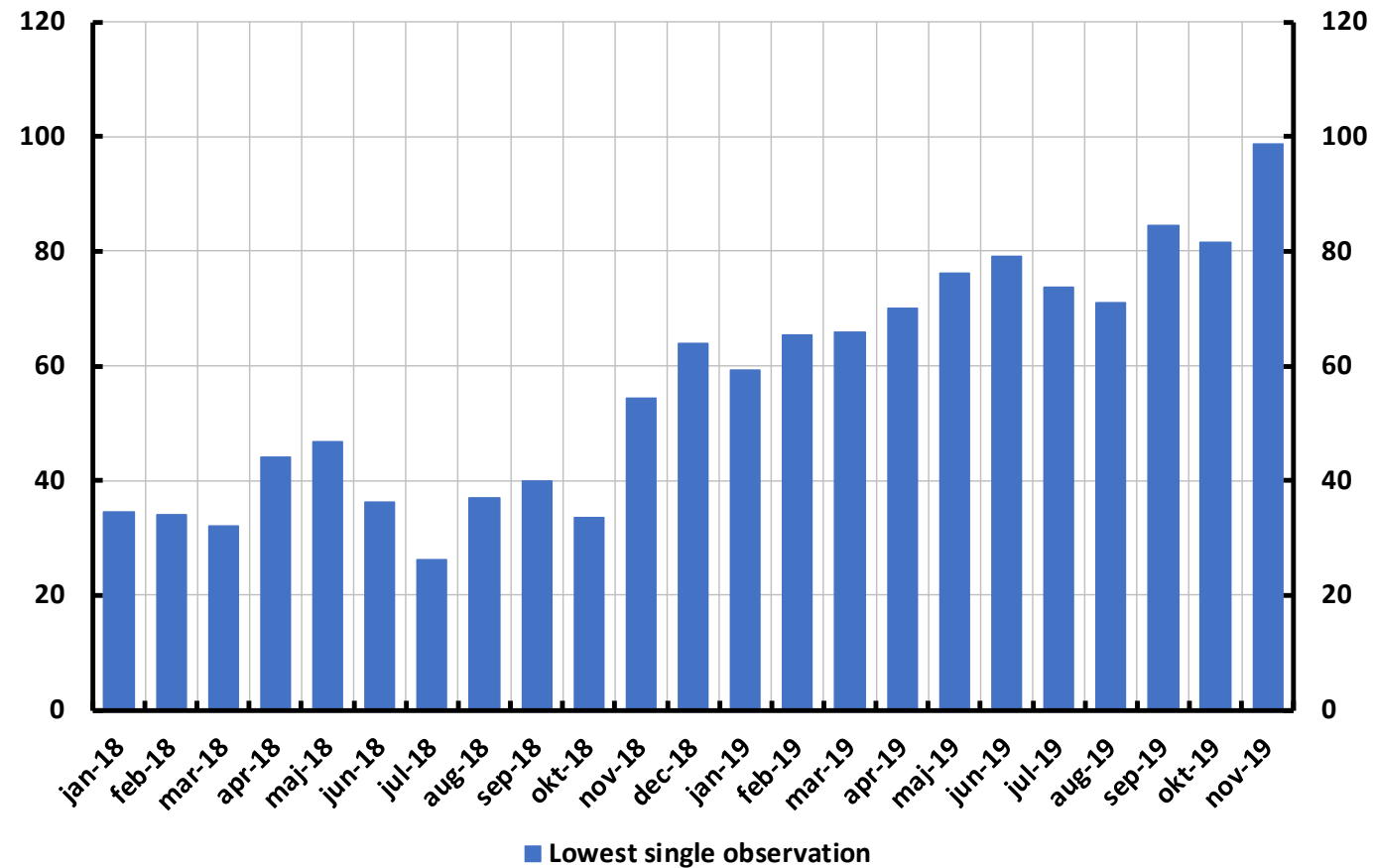
There are vulnerabilities in the banking system

- Large banking system, high degree of interconnectedness
- Swedish banks have substantial exposure to housing and commercial property
- Dependent on wholesale funding and exposed to liquidity risks



The chart refers to the percentage share of lending from Monetary Financial Institutions to households and companies that is against collateral in property.
Source: Statistics Sweden

Banks' liquidity in SEK has increased



Liquidity Coverage Ratio in SEK (LCR), per cent.

Source: The Riksbank

Stress tests of banks' liquidity

- The Riksbank has stress-tested banks' liquidity
- Liquidity needs increase rapidly if stress continues for more than a month
- The banks have substantial liquidity needs after 6 months
- Important that banks extend the maturity of their funding and maintain enough liquidity reserves in all their significant currencies



Climate change can create financial risk

- Important that the financial system has resilience to climate-related risks
- Must be possible to measure, price and manage climate risks
- Financial corporations should disclose their climate-related risks and opportunities (possibilities?)
- A global challenge demands international cooperation



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