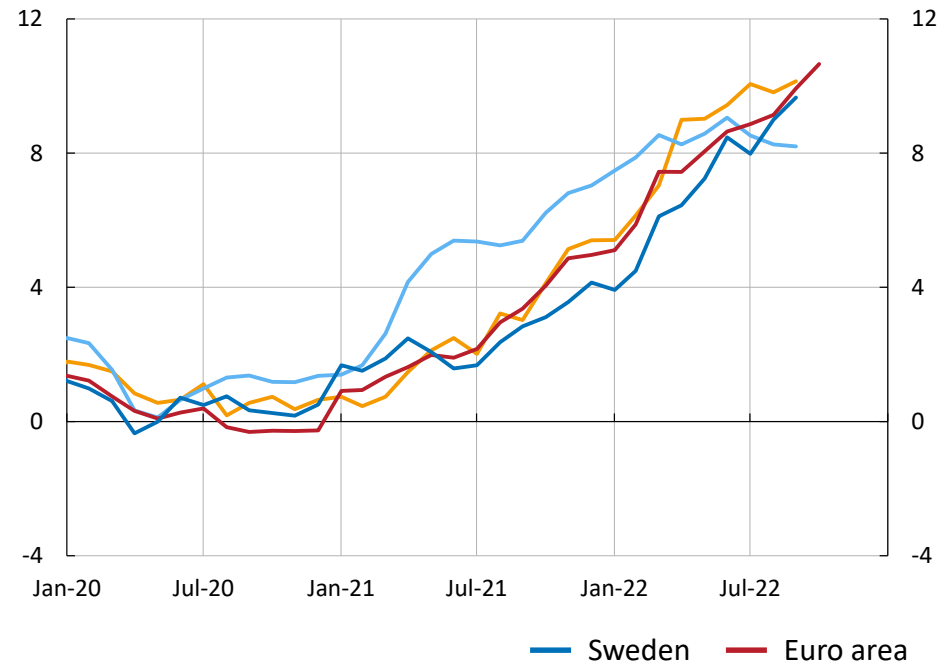


High inflation and rising interest rates - challenges for financial stability

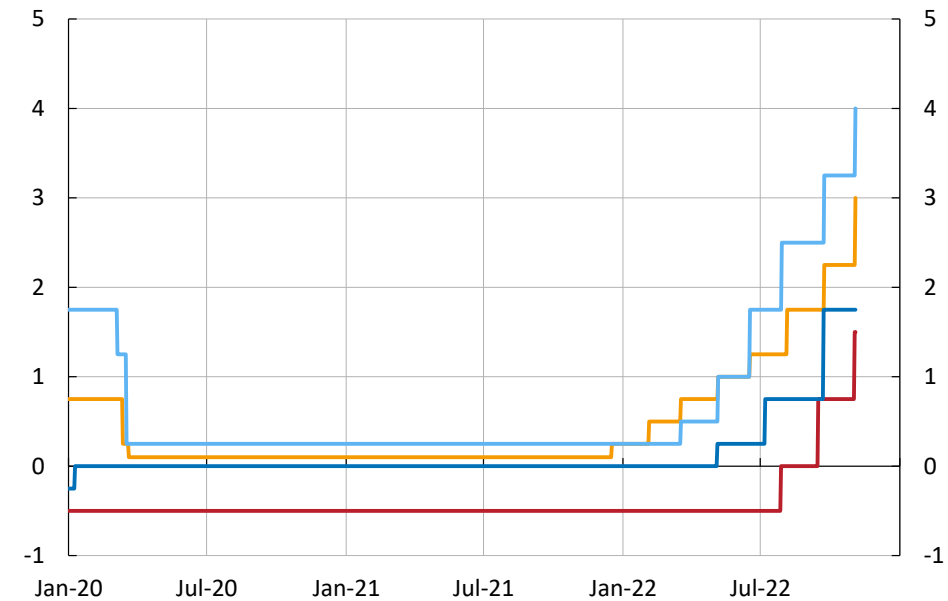
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Monetary policy is being tightened to manage high inflation

High inflation worldwide



Central banks raising policy rates

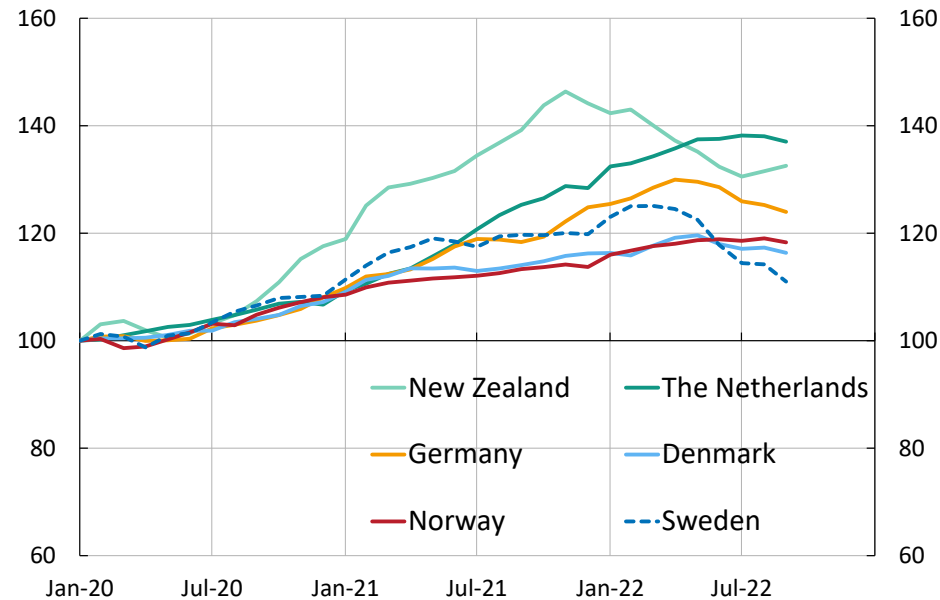


Note. Left: Annual percentage change. Inflation refers to the CPIF for Sweden, the CPI for the United States and the United Kingdom and the HICP for the euro area.

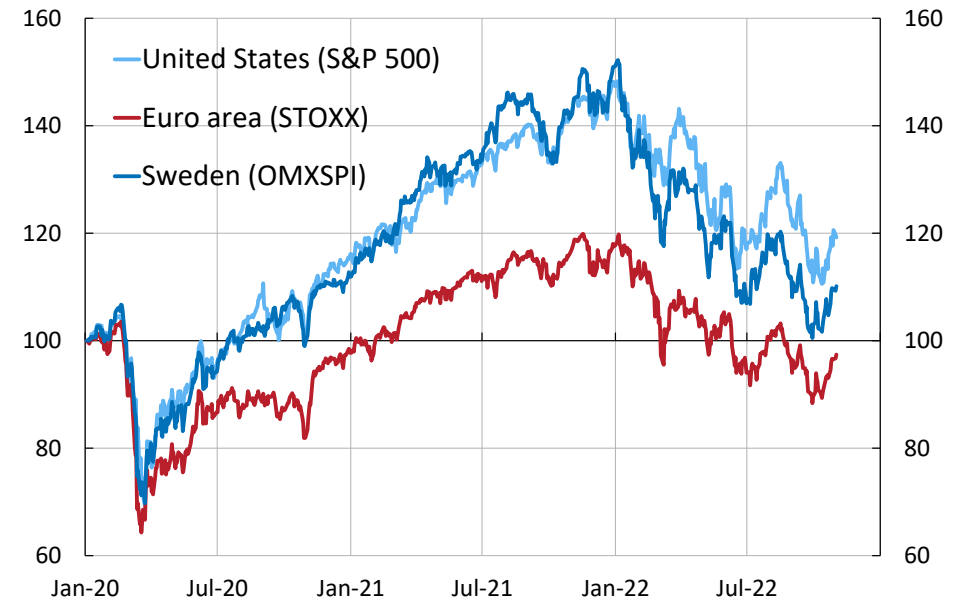
Source: Macrobond

Asset price falls and large fluctuations

Housing prices falling in several countries



Major movements on financial markets



Note. Index, 1 January 2020 = 100.

Source: Macrobond

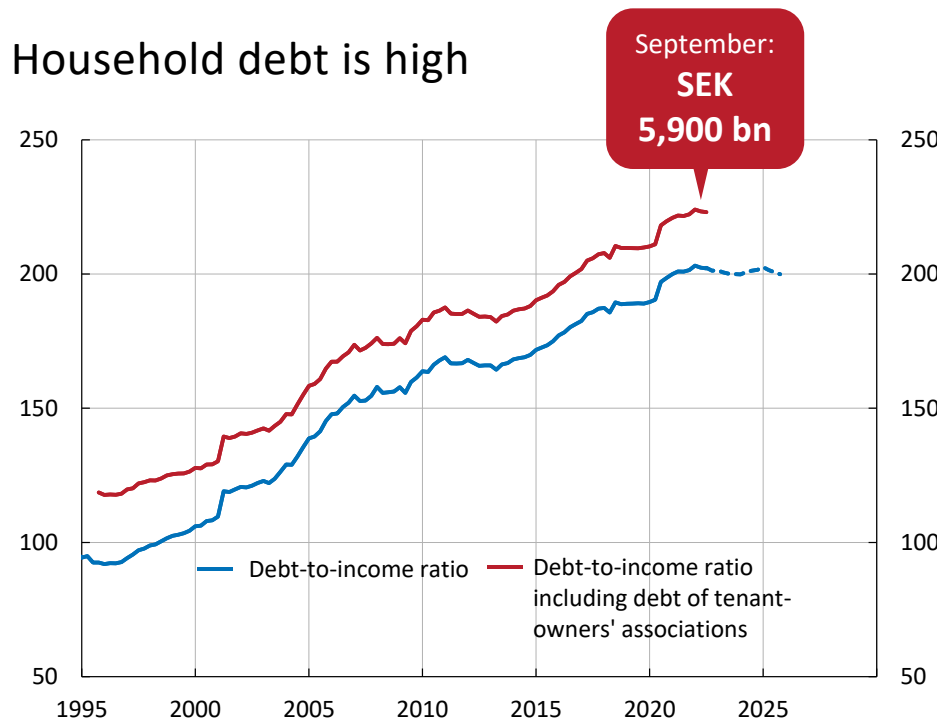
Increased risks to financial stability

- Challenges for stability in the global financial system
 - Uncertain how economic agents can manage the rapid rise in inflation and interest rates
 - Major disruptions in the electricity market in Europe
 - Cyber threat has increased as geopolitical situation has deteriorated
- Large vulnerabilities have been built up in the Swedish financial system

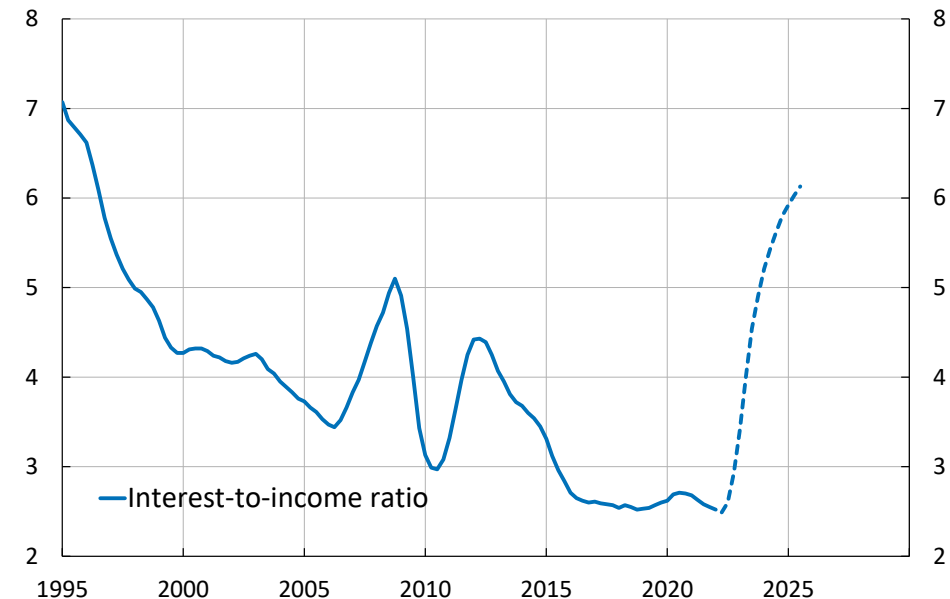


Households under pressure from rising expenditure

Household debt is high



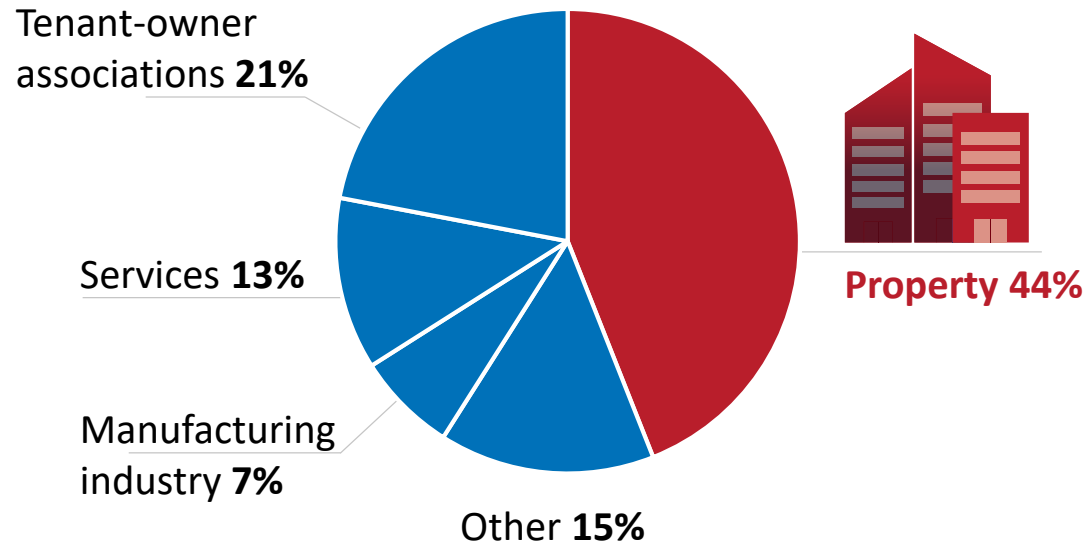
Interest expenditure expected to rise sharply



Note. Left: Households' total debts as a share of their disposable incomes, totalled over the past 4 quarters. Prior to September 2010, the debts of tenant-owner associations were estimated solely on the basis of loans from mortgage institutions. The broken line refers to the Riksbank forecast. Right: The interest rate ratio is calculated as households' interest expenditure as a proportion of their disposable income and assumes that everyone can take advantage of a 30 per cent interest deduction. Disposable income is expressed as a four-quarter moving total. The broken line represents the Riksbank's forecast in the Monetary Policy Report in September 2022.

Sources: Statistics Sweden and the Riksbank

Problems in the property sector can affect financial stability



- The banks have large exposures to property companies
- The property sector has become increasingly linked to the whole financial system
- Falling property values a factor of uncertainty

Note. Refers to the shares of different sectors of the total loans from monetary financial institutions to non-financial corporations in September 2022.

Source: The Riksbank (KRITA)

Large risks underline the need for good resilience in the banking sector

- Increased risk that the banks will suffer major credit losses
- Banks should be restrictive with regards to large dividends and share buybacks
- Finansinspektionen should raise the countercyclical capital buffer rate to 2.5 per cent



Financial stability could rapidly deteriorate

- Economic policy frameworks and global financial regulations have served Sweden well
- Authorities need to be ready to take action
 - The Riksbank has, for example, the possibility to provide liquidity if necessary
 - The Riksbank's task is not to facilitate for individual agents who have taken excessive risks



Macroprudential measures must be maintained

- Housing and tax policy measures are needed to manage the risks of household indebtedness
- Amortisation requirements, the LTV cap and strict discretionary income calculations contribute to resilience
- It is important to address the lack of statistics on households' assets and liabilities



Resilience also needs to be strengthened in other areas



Corporate bond market



Cybersecurity



Transition to transaction-based reference rates



Climate

High inflation and rising interest rates - challenges for financial stability

Financial Stability Report, November 2022