

## PRESS RELEASE

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# The stability risks have declined in the near term, but there is considerable uncertainty

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Lower inflation and expectations of interest-rate cuts on global financial markets have helped loosen financial conditions, which has reduced near-term risks. However, there is considerable uncertainty, and if policy rates remain high for a long time, this would increase the pressure on the financial system. In addition, geopolitical risks remain high, which is also contributing to cyber risks. The Swedish financial system has fared well so far, but the challenges have been particularly large in some sectors, not least in the property sector.

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## Confidence in the property sector needs to be strengthened

The situation for property companies has improved, compared with the previous Financial Stability Report. Financing conditions on the bond market are more advantageous and more property companies have issued bonds. However, many property companies still have high financing costs compared to market rates and as they renew their bank loans, bonds and interest rate derivatives, their financing costs will rise. Vulnerable property companies therefore need to continue to strengthen their balance sheets and reduce their risk-taking. To strengthen confidence in the sector, it is also important that companies increase transparency around property valuations, and that credit rating agencies review their methodologies to make ratings more robust.

## Increased risks for consumer credit banks

In contrast to the major banks, consumer credit banks have experienced increasing loan losses in recent years, which has contributed to their relatively low profitability. Several consumer credit banks currently obtain deposits through so-called deposit platforms. Such platforms can foster competition in the banking market but could also make deposits more flighty. Although these actors are smaller than the major banks, they can be systemically important as a group.

## Credit assessment of consumer loans could be improved

Households' high indebtedness and short interest rate fixation periods mean that interest rate changes have a major impact. However, the resilience of mortgagors has been relatively strong and they remain well placed to service their loans. The combination of amortisation requirements, the mortgage cap and banks' credit assessments is a contributing factor, but structural reforms are needed to address the fundamental problems in the housing market.

However, many households are struggling with their personal finances, and the number of households applying for debt restructuring increased significantly in 2023. Often the problems come from consumer loans, rather than mortgages. In this business area, consumer credit banks have a significant market share and there are indications that the credit assessments for some consumer loans may be inadequate. In order to improve the credit assessments for consumer loans, it is important to proceed with the proposal for a register of all borrowers' loans.

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A press conference with the Governor of the Riksbank, Erik Thedéen, and Olof Sandstedt, Head of the Financial Stability Department, will be held today at 11.00 at the Riksbank. Press cards or the equivalent are required to participate. The press conference will be broadcast live on riksbank.se. If you have any questions, please contact the press office either by telephone on 08-787 02 00 or by e-mail at [susanne.meyer@riksbank.se](mailto:susanne.meyer@riksbank.se).