

Stability risks have declined in the short term but there is considerable uncertainty abroad

Financial Stability Report November 2024

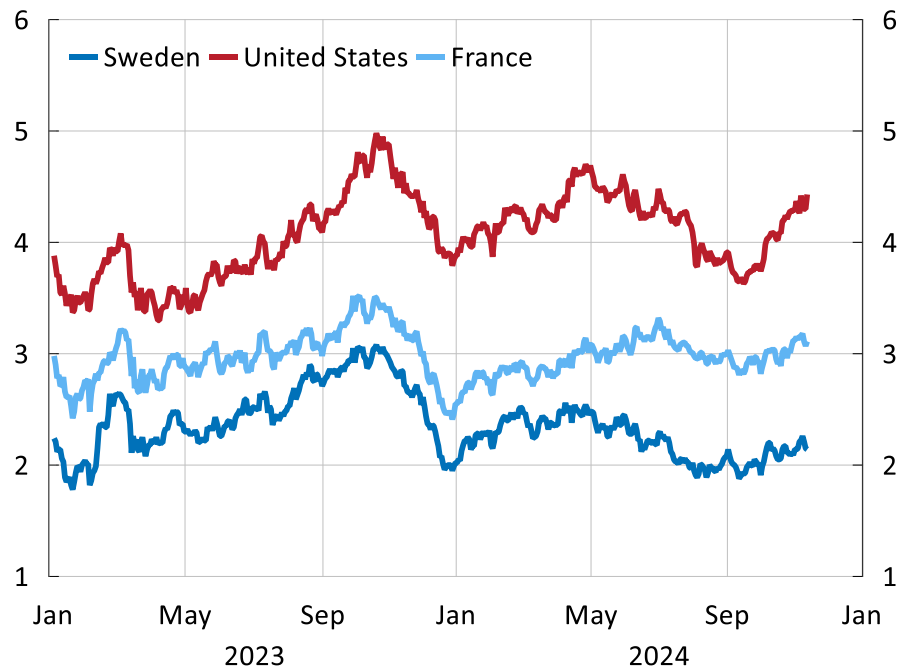
Stability risks have declined in the short term but there is considerable uncertainty abroad

- Lower interest rates and high valuations in asset and credit markets
- Considerable uncertainty abroad – economic, fiscal and geopolitical
- Property companies' financial situation has improved but vacancies are up
- Funds' liquidity situation is a vulnerability
- Macroprudential measures have safeguarded household resilience
- Consumer credit banks still have relatively high levels of loan losses

Increased risk-taking in an uncertain world

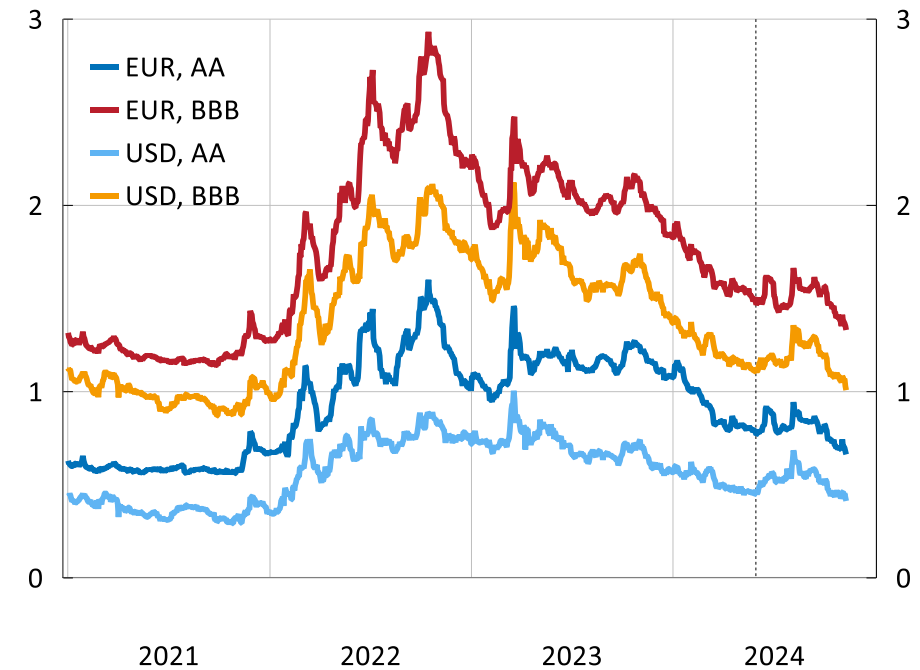
10-year government bond yields

Per cent



Lower risk premiums in credit markets

Percentage points

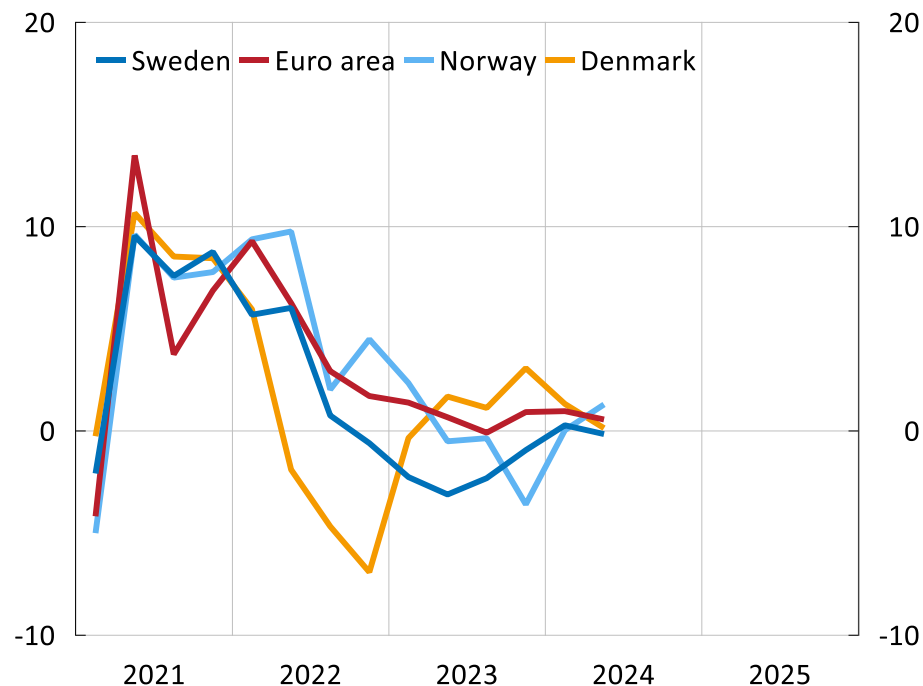


Source: Macrobond.

Households and businesses have made adjustments

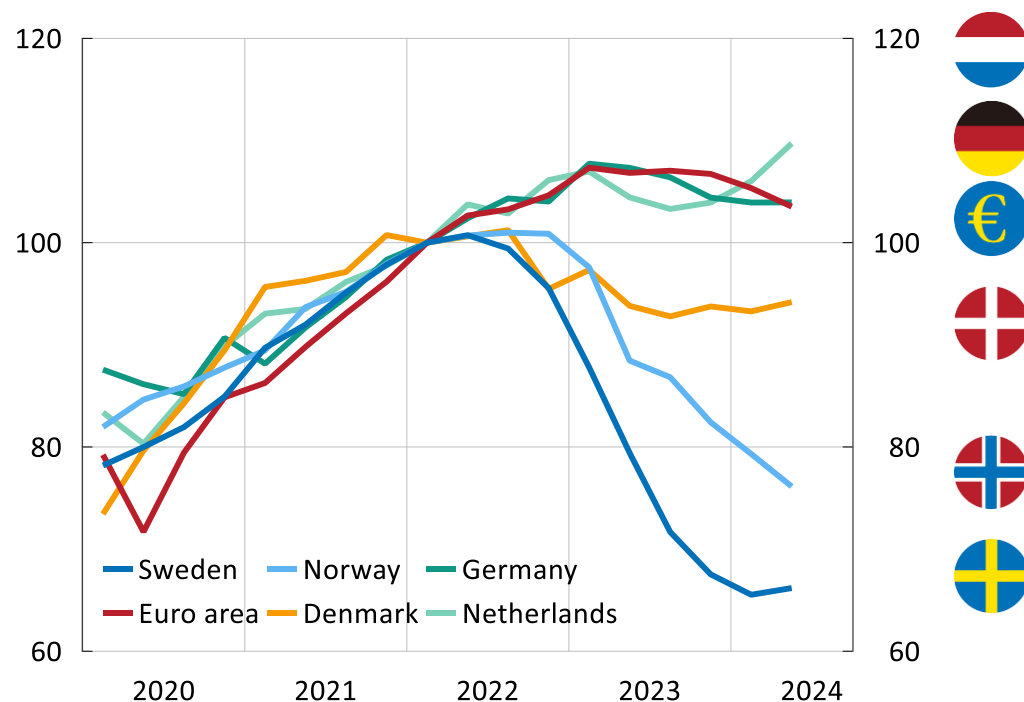
Household consumption

Annual percentage change



Housing investment

Index 2022 Q1 = 100

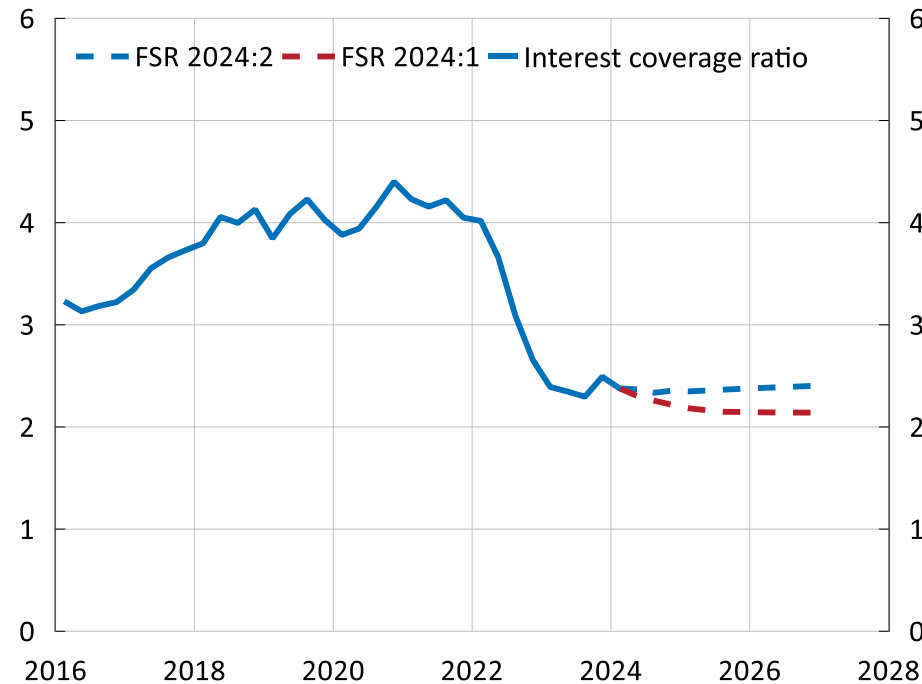


Sources: Statistics Sweden, Macrobond and Growth analysis.

Relief for property companies but vacancies are increasing

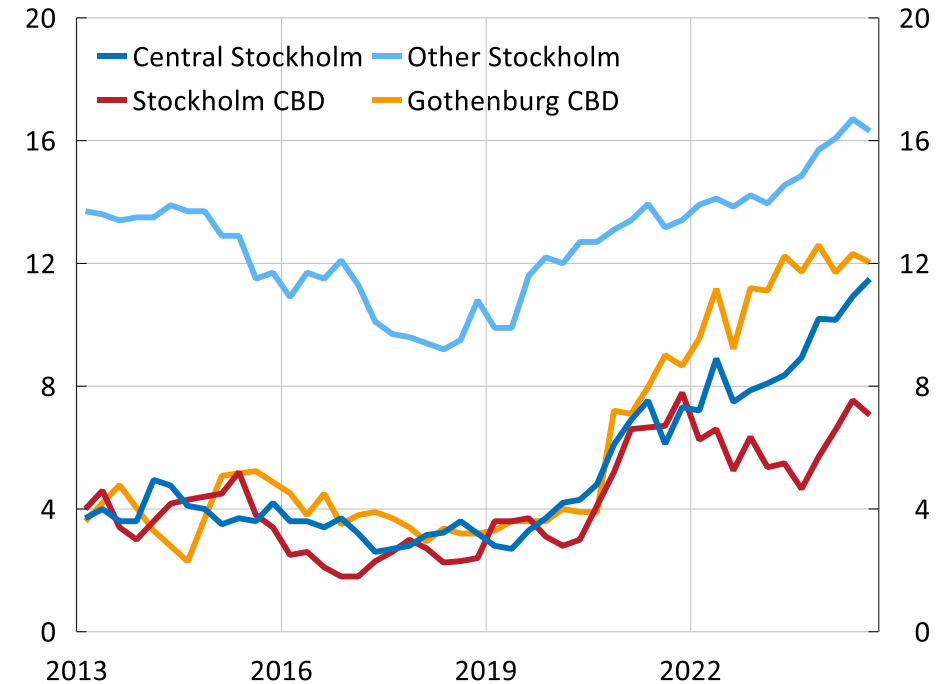
Interest coverage ratio of property companies

Ratio



Office vacancies are continuing to rise

Per cent

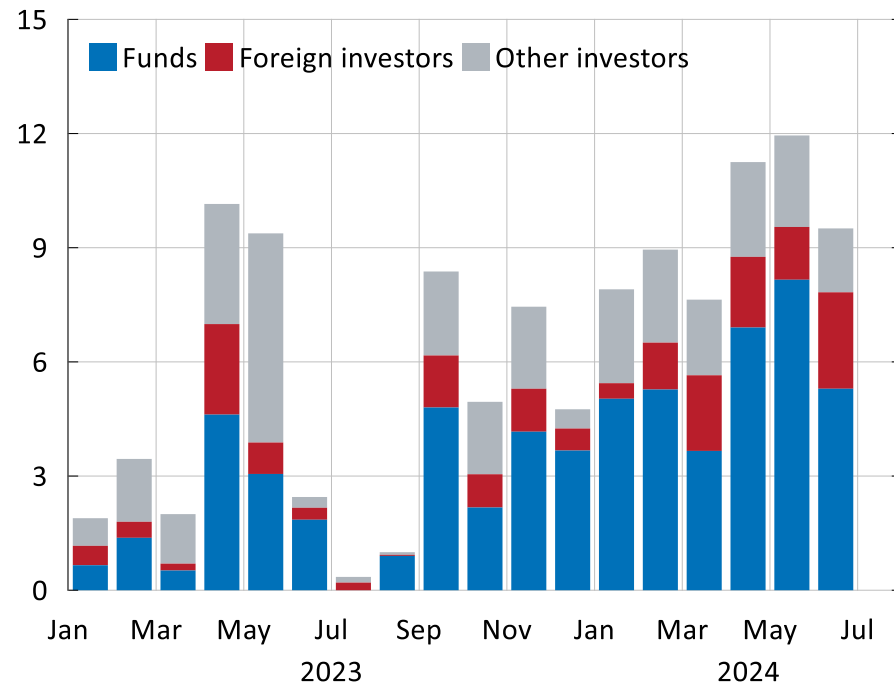


Sources: Citymark, Sedis and the Riksbank.

Companies and funds more interconnected

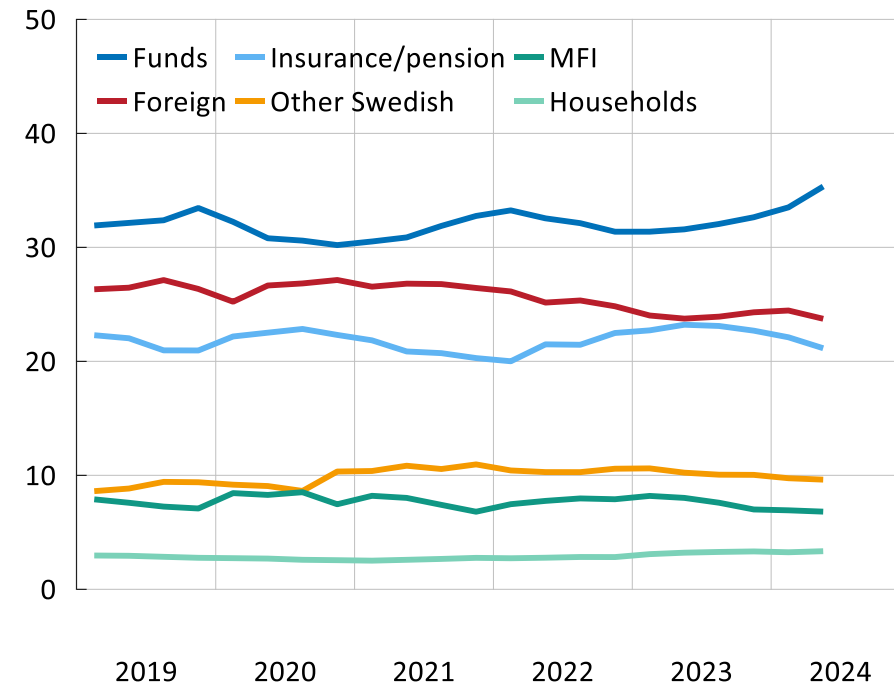
Funds major buyers of new property bonds

SEK billion



Funds' ownership shares in corporate bonds are increasing

Per cent



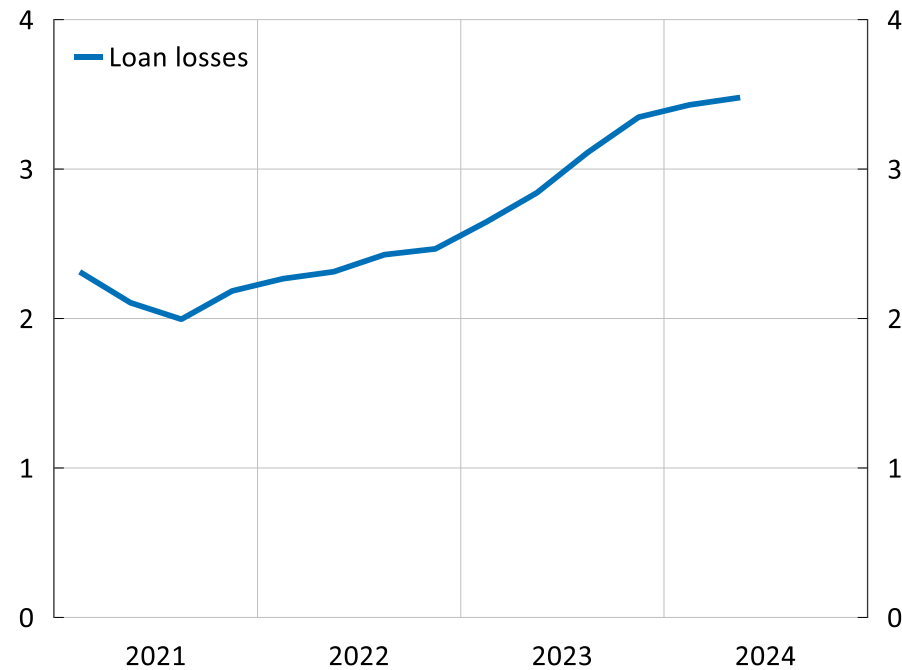
Note. The chart on the left shows the nominal values of Swedish property bonds in SEK issued per month, broken down by buyer. The chart on the right refers to ownership shares in Swedish corporate bonds in SEK. "Abroad" consists largely of foreign-registered funds.

Sources: Statistics Sweden and the Riksbank.

Risks for consumer credit banks

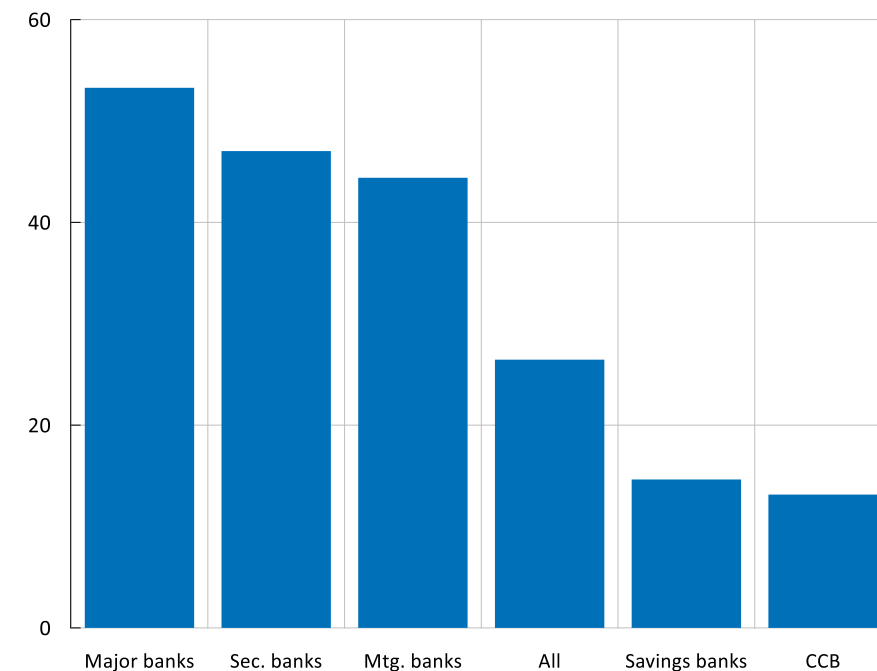
Increased loan loss level

Per cent of aggregate net lending



The amount of liquid assets differs

Per cent of total deposits

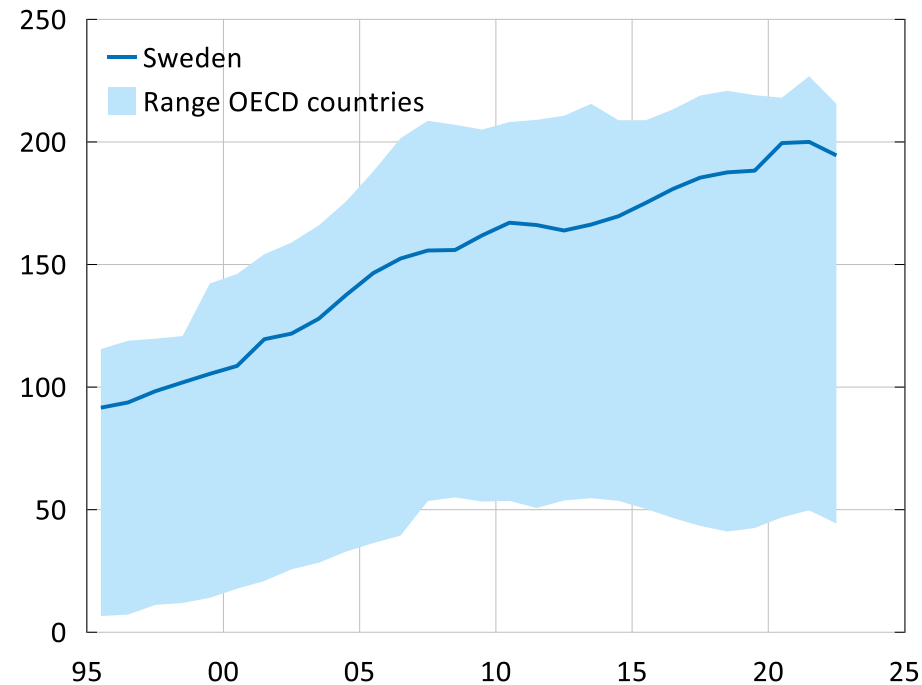


Sources: Banks' annual and interim reports and the Riksbank.

Households have increased their indebtedness

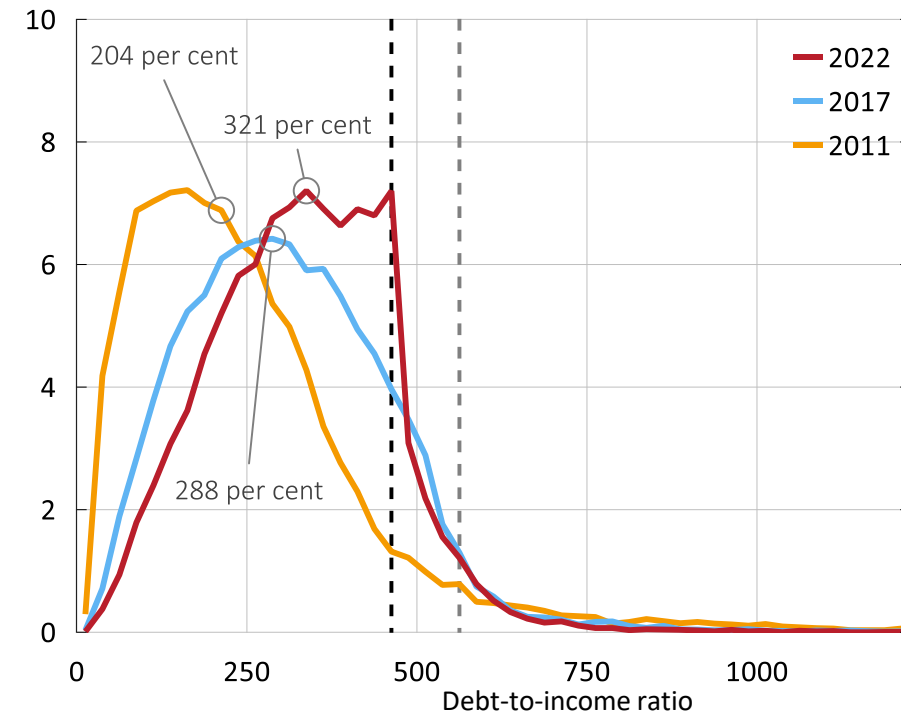
Debt as a percentage of disposable income

Per cent



Debt as a percentage of gross income

Per cent

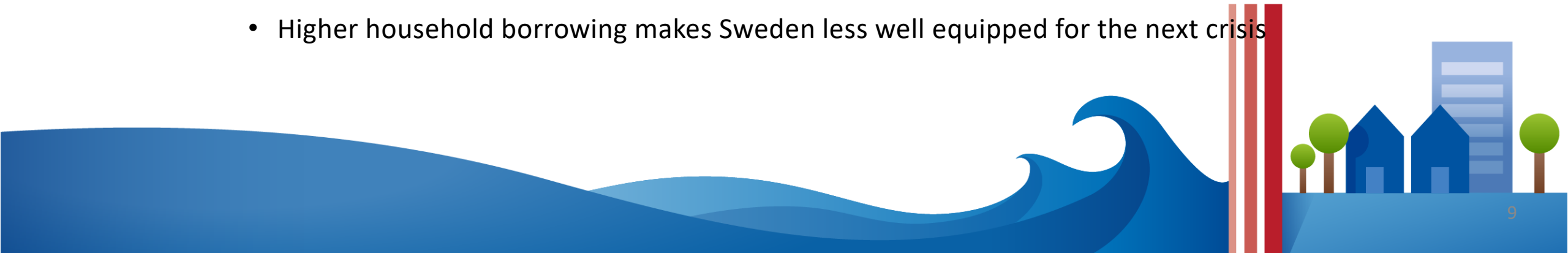


Note. The left chart refers to a range (percentile [10,90]) that includes 35 OECD countries. The percentages in the right-hand chart refer to the median debt-to-income ratio in each year.

Sources: Finansinspektionen, OECD and the Riksbank.

Macroprudential measures safeguard resilience

- High household indebtedness poses a systemic risk
- Macroprudential policy and banks' credit assessments are deemed to have safeguarded resilience
- Helps to limit unfair competition via less stringent credit conditions
- Healthy to evaluate current measures
- Changes, in the absence of other policy measures, may have side effects:
 - More debt-financed purchasing power does not improve the housing market in the long term
 - Higher household borrowing makes Sweden less well equipped for the next crisis



Resilience needs to be strengthened

- The property sector needs to learn from the stress of recent years
 - Credit rating agencies' ratings need to be more robust
- Non-banks play an increasingly important role in the supply of credit
 - More funds need to improve their liquidity risk management
- Need to improve credit assessment for consumer loans
- Cyber threats and third-party risks place demands on market participants



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