



# PRESS RELEASE

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CONTACT: Press Office, tel. +46 8 787 02 00

SVERIGES RIKSBANK  
SE-103 37 Stockholm  
(Brunkebergstorg 11)

Tel +46 8 787 00 00  
Fax +46 8 21 05 31  
registratorn@riksbank.se  
www.riksbank.se

## ■ Household debt demands further measures

*The financial system is working well at present, but is sensitive to shocks due to structural vulnerabilities. Investors' demand for more high-risk assets and the large and growing debts of Swedish households are examples of circumstances that may bring about and amplify shocks in the financial system. Therefore, the banks' capital requirements need to be tightened, banks' liquidity risks reduced and further measures implemented to address the risks relating to household indebtedness. The Riksbank considers that the Swedish Government and the Riksdag need to clarify Finansinspektionen's mandate and tools for macroprudential policy as soon as possible.*

### **The risks are increasing**

The major Swedish banks are still profitable and have good opportunities to get funding. However, the Swedish banking system is large and is closely interlinked and the banks have a large share of market funding and a small share of capital in relation to their assets. This makes the system sensitive to various economic shocks. Low global interest rates have contributed to investors both abroad and in Sweden continuing to demand high-risk assets, while housing prices and household indebtedness in Sweden are rising. This entails an increase in the risks to both financial and macroeconomic stability since the latest stability assessment in December 2014.

### **The resilience of the major banks needs to be strengthened**

In recent years, the major Swedish banks have improved their resilience to both credit and liquidity risks. This is a positive development, but the Riksbank considers that the resilience of the banks need to be improved further in order to reduce vulnerability in the financial system. The banks' capital requirements should therefore be tightened and they should reduce their liquidity risks.



## ■ **Measures needed to counteract household indebtedness**

In order to reduce vulnerabilities and risks in the household sector, measures are needed that address the underlying causes of increased indebtedness. Reforms are needed to reduce the willingness of households to take on debt, such as changes to tax relief and reforms to increase the supply of housing. However, it may take time to implement such measures and also take time for them to have an impact. It is therefore important that the pace of such reform work is accelerated. The Riksbank also considers that other measures are needed. An amortisation requirement at least in line with Finansinspektionen's proposal should be introduced as soon as possible. Examples of other potential complementary measures include a debt-to-income limit and stricter requirements for the banks' credit assessments of individual households.

## **Mandate for macroprudential policy must be clarified as soon as possible**

In order to counteract shocks in the financial system and the risks relating to high household indebtedness, the responsible authorities need to be able to act. It is of the utmost importance that the Government and the Riksdag clarify Finansinspektionen's mandate and tools for macroprudential policy as soon as possible and set out this in Swedish law.

A press conference with the Governor of the Riksbank, Stefan Ingves, and Kasper Roszbach, Head of the Financial Stability Department, will be held today at 11:00 at the Riksbank.

Press cards or equivalent must be shown. The press conference will be broadcast live on the Riksbank's website, [www.riksbank.se](http://www.riksbank.se), where it will also be available to view afterwards.