

A large, solid red circle is positioned on the left side of the slide, partially overlapping the background image. It contains the text 'Shoka Åhrman' and 'Economist at SPP and Storebrand' in white, sans-serif font.

Shoka Åhrman

Economist at  
SPP and  
Storebrand





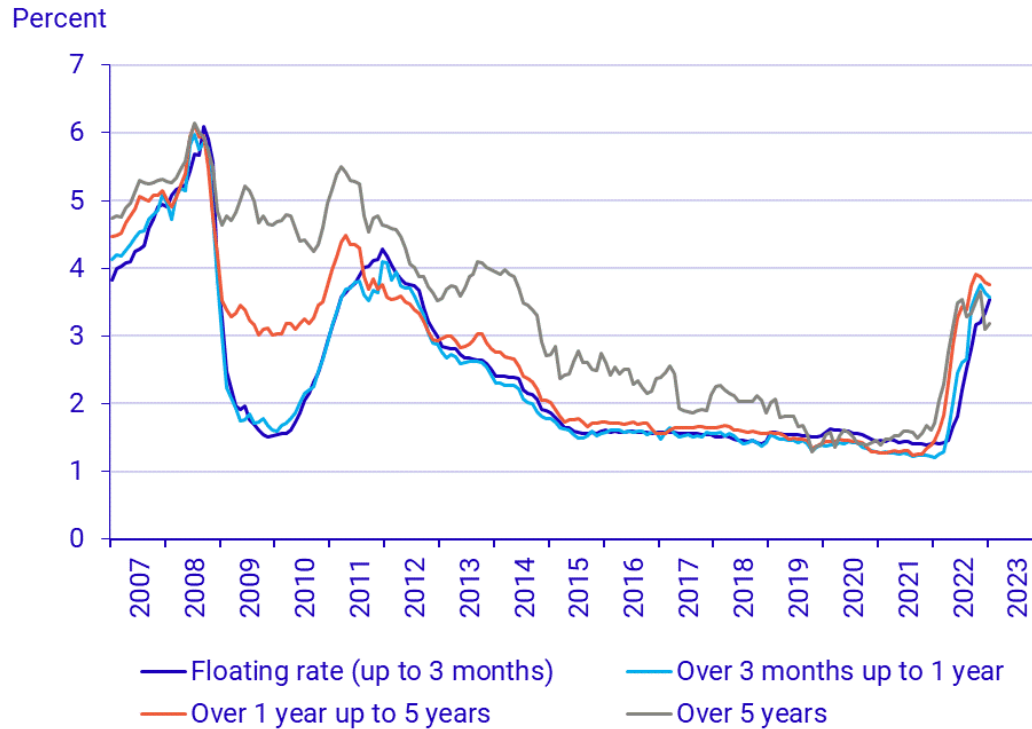
## House holds borrowing a risk factor in Sweden?

- Banks' lending processes are stringent and governed by well-functioning legislation – stable banks.
- Banks have long based their credit decisions on the borrower's repayment capacity rather than the value of the collateral.
- Sweden have property register and good access to credit information about borrowers to secure safe lending
- High employment rate – each household to have two incomes that can be used to repay the loan.

# Households vulnerability to shocks -> systemic risk?

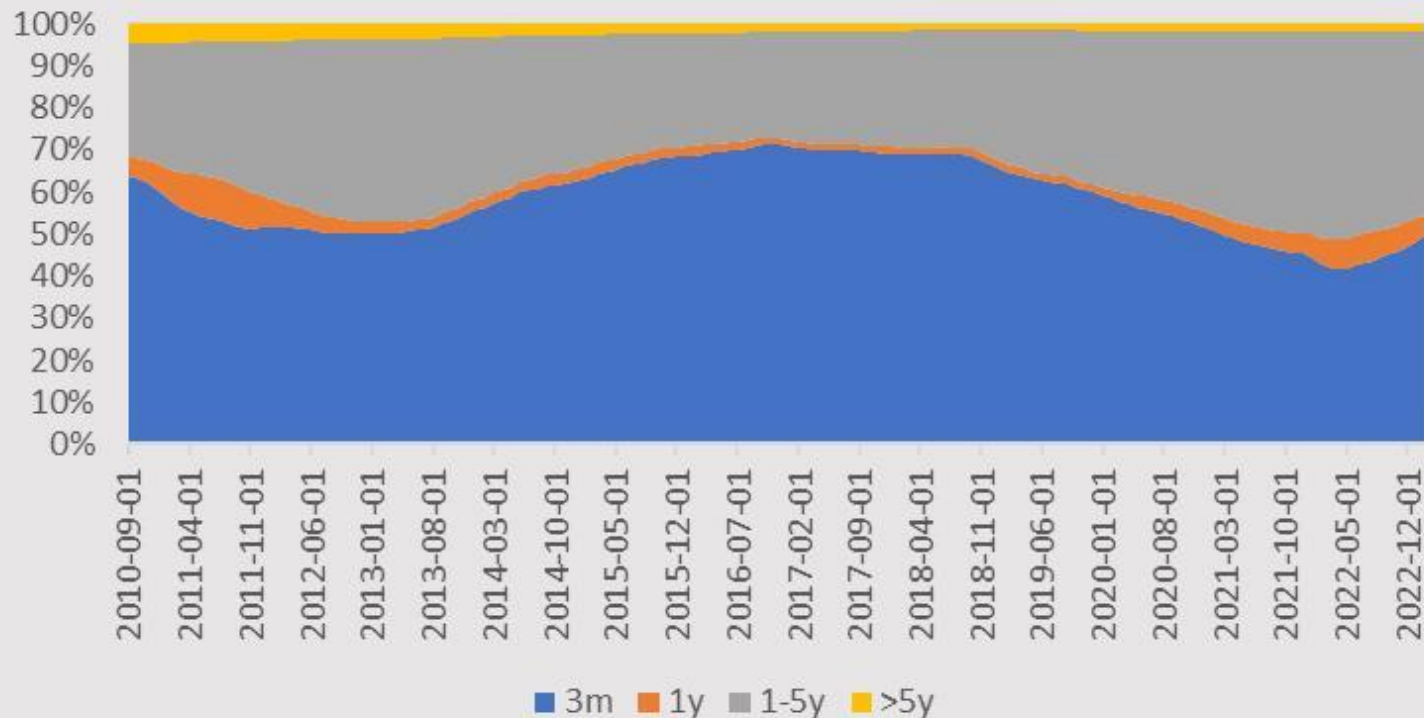
- High indebtedness combined with higher variable-rate loans or loans to be renegotiated – a ticking bomb?
- High loan-to-value ratios and loan-to-income ratios -> borrowers more vulnerable to various shocks.
- Households' high indebtedness and short interest-rate fixation periods on their loans mean that variable interest rates adds up to systemic risk.
- Interest rate differential compensation – comparing costs to risks.
- Exemption from the amortisation requirements – applied at a significantly higher extent today than it has been the past few years.
- Higher interest rates cost, but prolonged high inflation costs more - erodes purchasing power more than interest costs.

## The commitment periods on the mortgages



Source: Statistics Sweden

## Mortgage lending by original maturity







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General exemption from the amortisation requirements will not solve problem

Longer interest rate fixation periods might help households to lower their risks of high indebtedness in periods of high inflation.

Higher interest rates have a comparatively large and rapid effect on households' scope for consumption.

**Smooth out household consumption through savings and buffer**



# Summary:

- Swedish households more sensitive to interest rates than those in other countries
- Households with high indebtedness combined with variable-rate loans vulnerable when interest rates rise fast.
- New mortgagors may be particularly vulnerable to higher inflation, higher rates and falling housing prices.
- Households need an economic buffer to smooth consumption

