

In this issue:

- Banks' profits stem from temporary factors; data indicates that bank competitiveness has not decreased in 15 years; bank interventions are met with skepticism in other European countries – interview with SHoF researchers
- Homeownership boosts consumption, increases mobility, and accelerates wealth – new household finance study
- Can we improve the way people make pension choices? – public seminar on March 15

## Bank Profits

In February, Swedish banks reported record profits prompting a public debate about whether banks' earnings are excessively high and raising questions about competitiveness in the banking sector.

SHoF researchers commented on the factors driving banks' profitability, current market competitiveness, and bank taxation in an interview



**Bo Becker** (SSE) points out that elevated bank profits stem mainly from two temporary factors: a strong business cycle and rapidly rising interest rates. With weakening economic growth, credit losses are likely to rise. And as banks roll over their bonds, interest costs will catch up with their high interest income, compressing profits. He also discusses how innovation and lower entry barriers can increase competition in the European market.



**Paolo Sodini** (SSE) looks at the gap between banks' mortgage rates and short-term government bonds yields between 2006 and 2023. The gap today is about 1%, the lowest record since 2009, indicating that the banking sector has not become less competitive, he says.



As Europe grapples with a cost of living crisis, calls for banking interventions surge. **Diogo Mendes** (SSE) comments on different strategies, from windfall taxes on bank profits to direct market interventions through public banks. He says that proposals in European countries that would enable direct intervention on interest rates are met with skepticism and generate a debate about the role of public banks in society.

[Read more](#)

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## RESEARCH IN THE SPOTLIGHT

### **Benefits of Homeownership: Insights from a Swedish Experiment**

A new study offers a rare, data-driven glimpse into the true economic effects of owning a home, and shows that homeownership boosts consumption, increases mobility, and accelerates wealth.

SHoF researchers **Paolo Sodini** (SSE) and **Roine Vestman** (Stockholm University), together with **Ulf von Lilienfeld-Toal** (University of Luxembourg) and **Stijn Van Nieuwerburgh** (Columbia University) investigated the financial outcomes of transitioning from renting to owning.

The authors looked into a unique experiment in Sweden where renters were offered, then unexpectedly denied, the chance to buy their apartments.

#### Key takeaways:

- Homeownership results in significant wealth gains
- Homeowner consumption +18.5% per year compared to when they were renters
- Homeowners are better able to smooth consumption using debt

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## UPCOMING EVENTS

### **Can We Improve the Way People Make Pension Choices?**



**James Choi**  
Professor of Finance  
Yale



**Anders Anderson**  
Associate Professor  
SSE



**Anna Pettersson  
Westerberg**  
General Director  
Pensionsmyndigheten

Are individuals making the "right" investment choices for their retirement years? What do we know from research about choosing "good" mutual funds? What are the effects of financial literacy on pension choices?

Join a seminar with professors **James Choi** (Yale) and **Anders Anderson** (SSE) and Pensionsmyndigheten's General Director **Anna Pettersson Westerberg**.

The seminar will be held in English on March 15 at SSE.

Register to the waitlist

**Save the date:**

- June 10: Seminar - Large Industrial Green Transition
- August 27-28: SHoF Annual conference – Corporate Governance
- September 24: Seminar - Household Debt: Should Sweden Be More Forgiving

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**ABOUT SHoF**

The Swedish House of Finance (SHoF) at the Stockholm School of Economics is Sweden's national research center for financial economics.

SHoF is an equally private and government funded, nonprofit, nonpartisan organization. It hosts approximately 40 resident research fellows with research assistants, as well as around 30 PhD students in finance.

Sweden's national research center in financial economics

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