REGERINGSKANSLIET

Finansdepartementet

Stockholm, 21 November 2016

The Swedish government welcomes the extensive work by the European Systemic Risk Board (ESRB) to analyse and assess vulnerabilities that could cause risks to the financial stability in the EU. The ESRB fills an important role in this regard and the Swedish government looks forward to a continuation of the ESRB's analysis and a broadening to include also other sectors. Further, the Swedish government welcomes that the analysis of the ESRB is made public.

With regard to the medium-term vulnerabilities that the ESRB highlights in the residential real estate sector in Sweden, the Government agrees with the ESRB that from a macroprudential as well as a macroeconomic perspective, the residential real estate prices and the indebtedness among households are causes for concern.

As noted by the ESRB, the development has been influenced by a number of structural factors. The Government and relevant agencies have taken a number of steps to reduce risks. Since the financial crisis, Finansinspektionen has increased the capital requirements and the banking system in Sweden is now better capitalised than the EU-average. A floor on risk weights on mortgages has been introduced, and raised on one occasion, now reaching 25 per cent. A LTV-ceiling of 85 per cent was introduced in 2010. This year an amortization requirement was introduced as a further measure to dampen the development of rising household indebtedness. In addition to these measures, which are described in the ESRB analysis, the Government is currently in the process of introducing support to the construction sector and more efficient building and planning processes in order to increase housing construction.

It is still too early to draw any certain conclusions of the effects of the newly introduced amortisation requirement, but the Government and relevant agencies are continuously and carefully monitoring the situation to assess whether further measures are needed. Potential further action will have to be duly analysed before implementation.