

# The Swedish housing market

Macroeconomic Implications of  
Housing Markets

European Commission  
(2016-11-30)

S V E R I G E S R I K S B A N K

Robert  
Emanuelsson

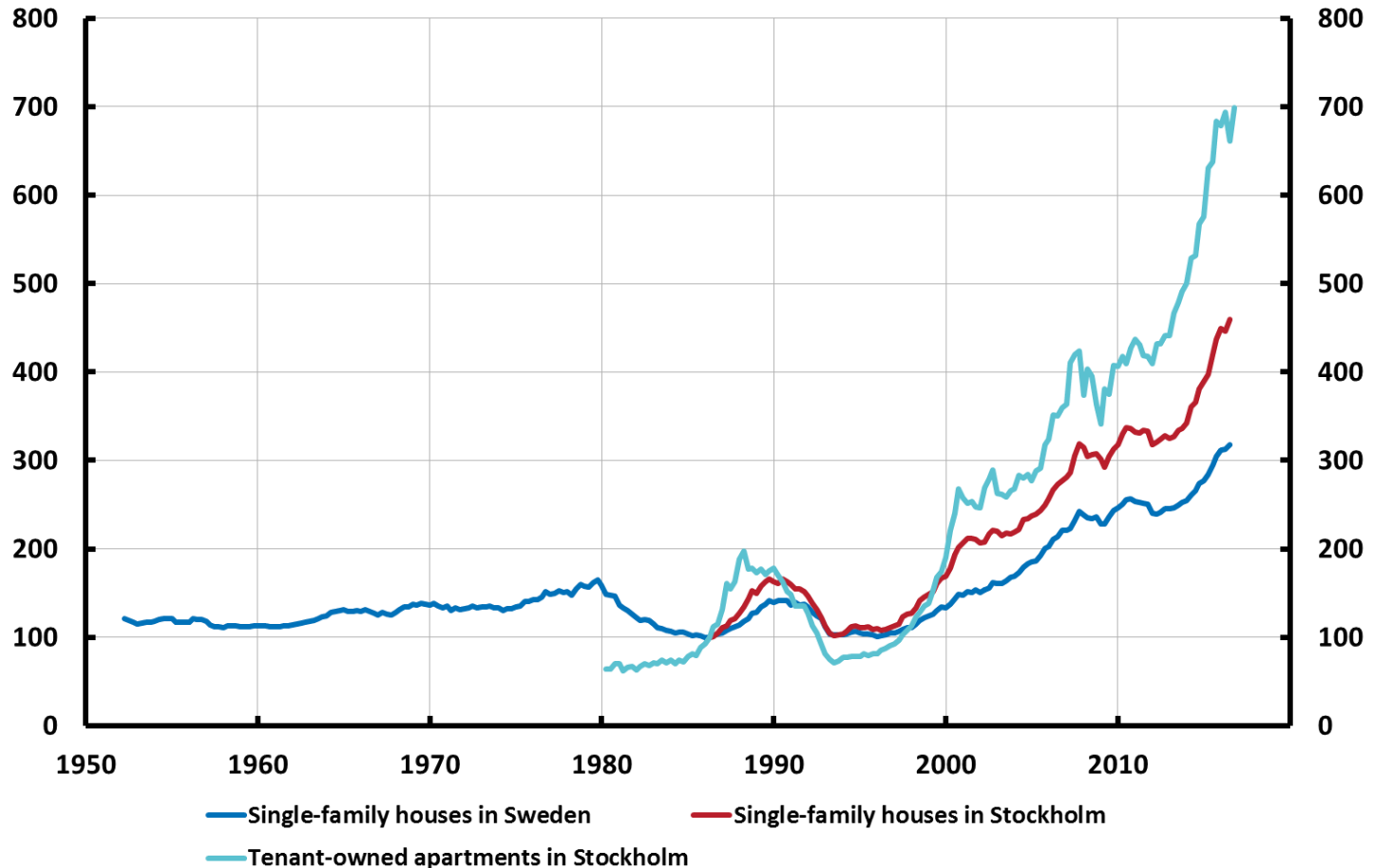
Financial Stability Department

Sveriges Riksbank

Copyright rests with the author,  
2016. All rights reserved

# Housing prices in Sweden have been on the rise since the 1990s

Index 1986 Q1=100

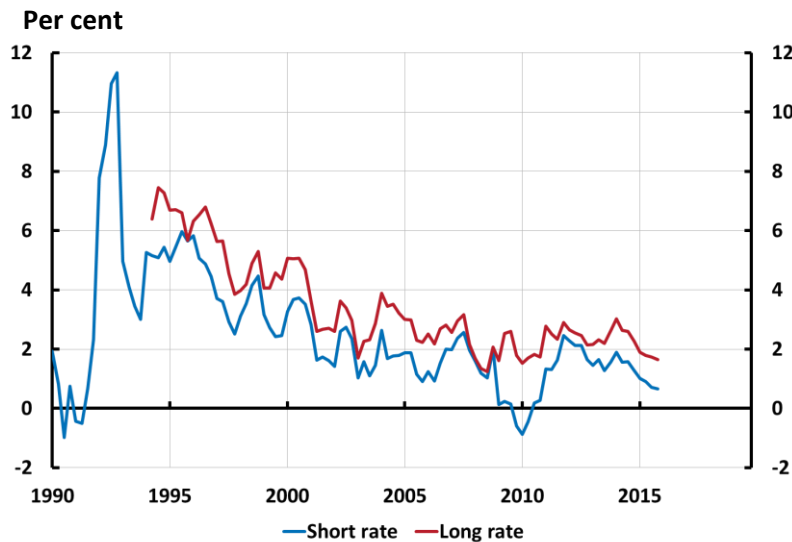


Housing prices are deflated with CPI.

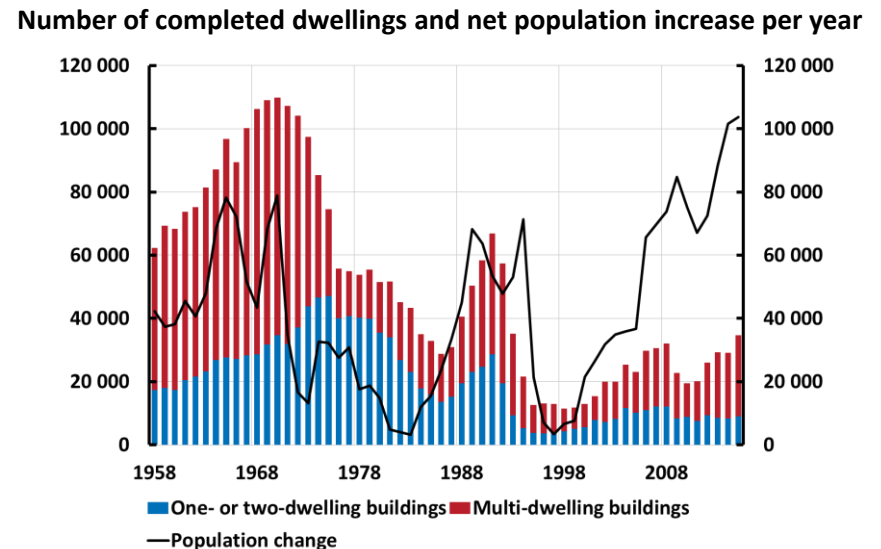
Sources: Statistics Sweden, Valueguard and the Riksbank

# Prices driven by lower mortgage rates and structural problems on the housing market

## User-cost for housing has fallen



## Population growth has outpaced construction

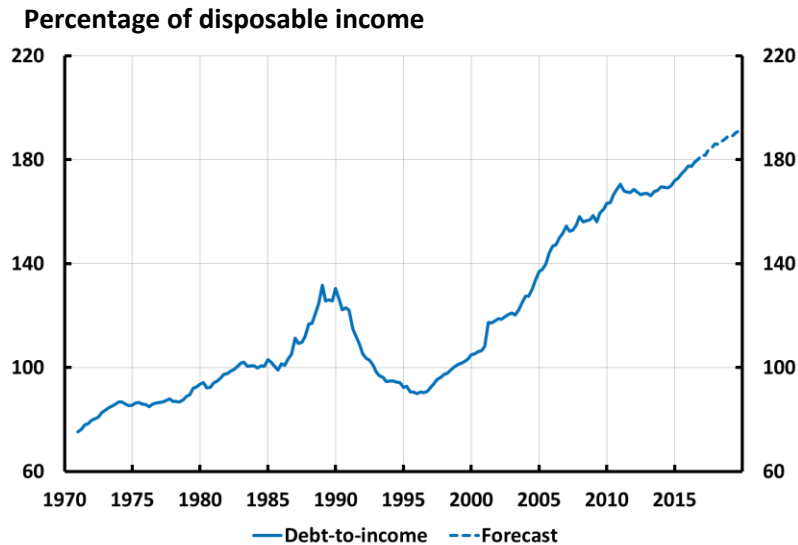


The user-cost is approximated with a nominal mortgage rate adjusted by actual inflation, tax relief on interest expenditure and property tax. Short interest rate refers to 3-months maturity, whereas the long interest rate refers to 8-years maturity.

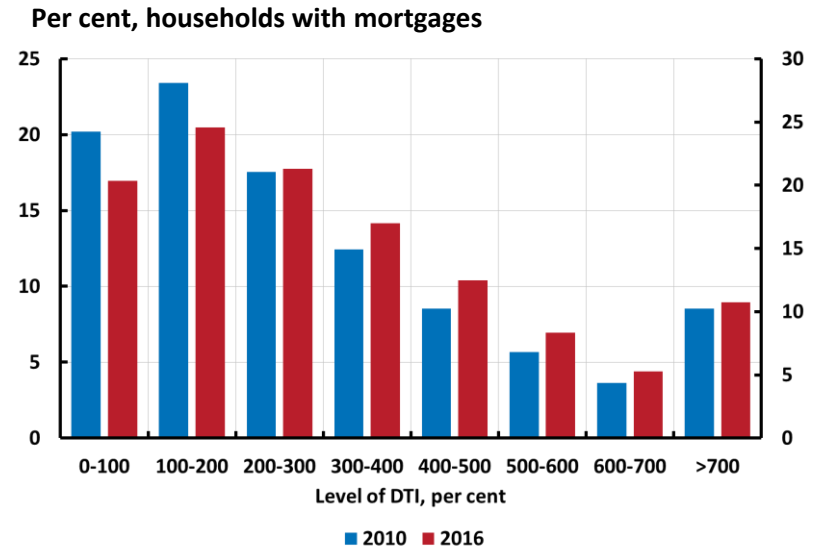
Sources: Statistics Sweden and the Riksbank

# Higher indebtedness among Swedish households

## Rising DTI on the aggregate level



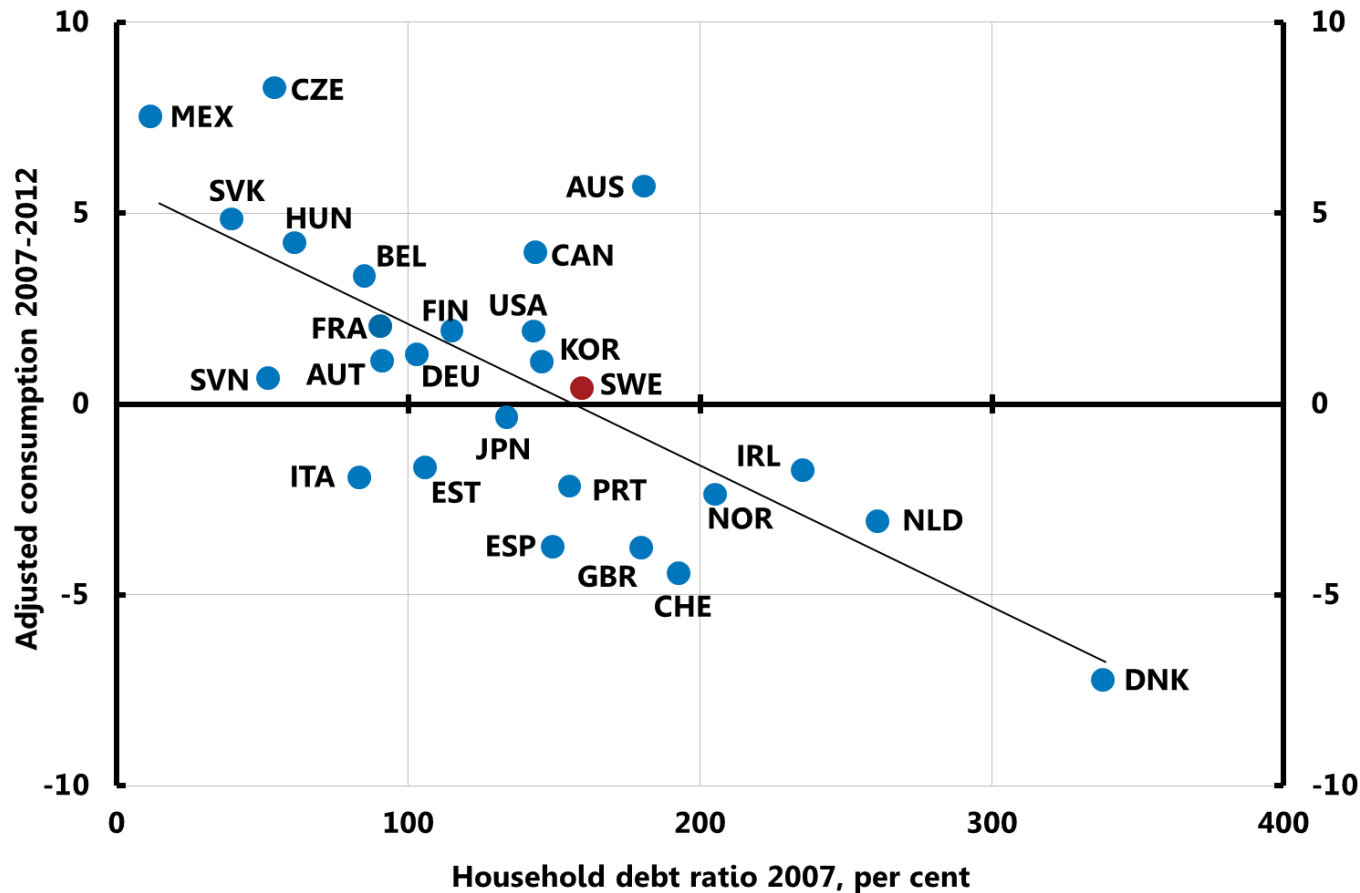
## More households with higher DTI



The dashed line represents the Riksbank's forecast.

Sources: Statistics Sweden and the Riksbank

# Higher debt levels make the economy more sensitive to shocks



Adjusted consumption growth has been calculated as actual consumption growth minus contributions from growth in the debt ratio, current account and consumption. For further information, see Flodén, Martin (2014), *Did household debt matter in the great recession?* Sources: the OECD and the Riksbank

# Policy response

Tools	Levels/Measures	Implemented
Loan-to-value	85 %	2010
Risk weight floor on mortgages	15% -> 25%	2013, 2014
Countercyclical capital buffer	1% -> 1.5% -> 2%	2014, 2015, 2016
Amortisation requirement	2 % per year until 70 % LTV 1 % per year until 50 % LTV	2016

# Additional measures are needed

- Supply side measures
  - Deregulating the rental market, less cumbersome building process, more competitive construction sector etc.
- Improved tax incentives
  - Property tax, interest tax deductibility etc.
- Clear macroprudential framework
- Additional macroprudential measures are needed
  - DTI limit

# Thank you!

For more information, please contact  
me at:  
[robert.emanuelsson@riksbank.se](mailto:robert.emanuelsson@riksbank.se)