

House Price Indicator at new post crisis high

MONDAY
12 MAY, 2014

Home prices showed signs of accelerating in the beginning of the year and our Housing Price Indicator suggests that this trend may continue. The Indicator rose to 60 (April 55) in May, a new post-crisis high and the highest level since July 2007. 66% of households (65%) expect home prices to rise in the coming year. Only 6% (10%) expect them to decline, which is the lowest since the start of the survey in 2003. 19% (18%) see unchanged prices.

Recent low inflation and signals that the Riksbank is moving towards another rate cut are likely to have contributed to increased optimism. Households have lowered their repo rate expectations somewhat further to 0.82% in 1 years' time (April 0.89%). Meanwhile, the share of households planning to fix rates declined somewhat further to 3% (April 4%).

INCREASED DEMAND FOR NEW LOANS. Increased activity on the housing market has not been fully reflected in lending data which has been surprisingly stable. Our survey suggest that this may be about to change. During the past year we have surveyed households on their lending behaviour, asking whether households have taken on new house loans during the past three months or intend to do so in the coming three

months. In May 6% of households planned to take on new debt in the coming months, which is the highest since the start of the series in May last year. The short history of the series is a source of uncertainty, however.

Last week, the Riksbank presented a study on household indebtedness based on new data which showed that the debt ratio among households with mortgages is over 300% on average and higher among low and middle income earners. To some extent, this contradicts earlier conclusions that debt is concentrated to wealthy households with higher incomes.

Riksbank monetary policy has since last fall focused more on low inflation and less on household debt, with the main the responsibility for household debt falling on the Financial Supervisory Authority (FI). We do not expect a change in this situation despite the more worrying conclusions from the Riksbank study. Instead, signs that lending is picking up is likely to be met with increased pressure from the Riksbank on the FI to introduce new measures.

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Since March 2003 we've contracted Demoskop to survey the Swedish housing market every month. The current survey was conducted in April 29 to May 7, 2014

