

## Swedish households remain optimistic on home prices

MONDAY  
9 JUNE, 2014

**SLIGHTLY LOWER HOUSING PRICE INDICATOR IN JUNE.** SEB Housing Price Indicator declined slightly in June, but remained at elevated levels consistent with further rising home prices. The Indicator decreased to 56 from last month's post-crisis peak of 60. According to the survey 65% of households expects home prices to rise in the coming year, almost unchanged from last month (66%), 9% (6%) expects them to decline while 16% (19%) sees unchanged prices.

Interest rate expectations remain low although households – contrary to market pricing – do not see any further decline of the repo rate. On average households expect the Riksbank repo rate to be 0.85% in 1 years' time (May 0.82%). Meanwhile, the share of households planning to fix rates remains low at 4% though up marginally from the previous month (3%).

The Riksbank Financial Stability Report, which was published last week, showed that the Riksbank remains concerned over the high level of household indebtedness and that the bank sees rapidly rising home prices as one of the main driving forces for household debt. The continued high level of the Housing Price

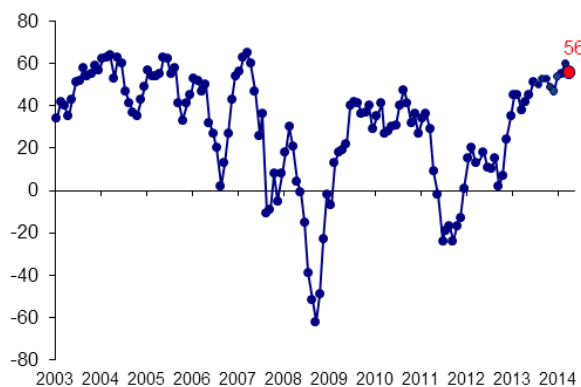
Indicator suggests that financial stability concerns will remain high on the Riksbank agenda. In the report, the Riksbank highlights risks from overly optimistic home price projections in combination with too low rate expectations (below the Riksbank's own repo rate path), something that could cause households to take on more debt than they can comfortably carry.

**SWEDISH AUTHORITIES DO NOT FULLY SHARE THE RIKSBANK'S CONCERNS.** The Riksbank continues to put pressure on the Financial Supervisory Authority for more macro prudential measures to strengthen the resilience of the banking sector and limit risks from household indebtedness. However, the minutes from the May 23 meeting of the Financial Stability Council show that Swedish authorities have different views on how serious these problems are. This suggests that the Riksbank may not be fully satisfied by the measures from the Financial Supervisory Authority. Still, in the current environment with too low Swedish inflation and new ECB easing measures we do not expect financial stability concerns to stop the Riksbank from cutting rates further in July and October.

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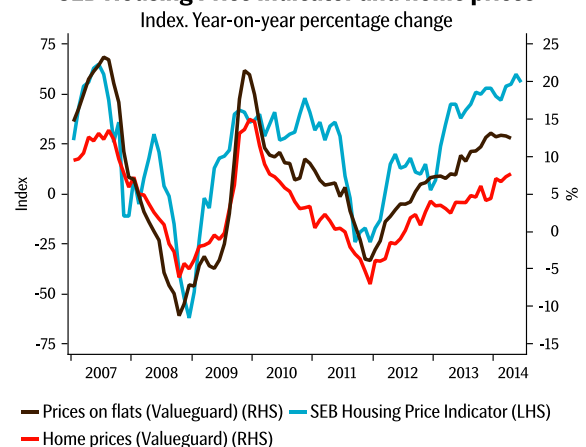
Since March 2003 we've contracted Demoskop to survey the Swedish housing market every month. The current survey was conducted in May 27 to June 4, 2014

**SEB's Housing Price Indicator**



Source: SEB, Demoskop

**SEB Housing Price Indicator and home prices**



Source: Valueguard, SEB