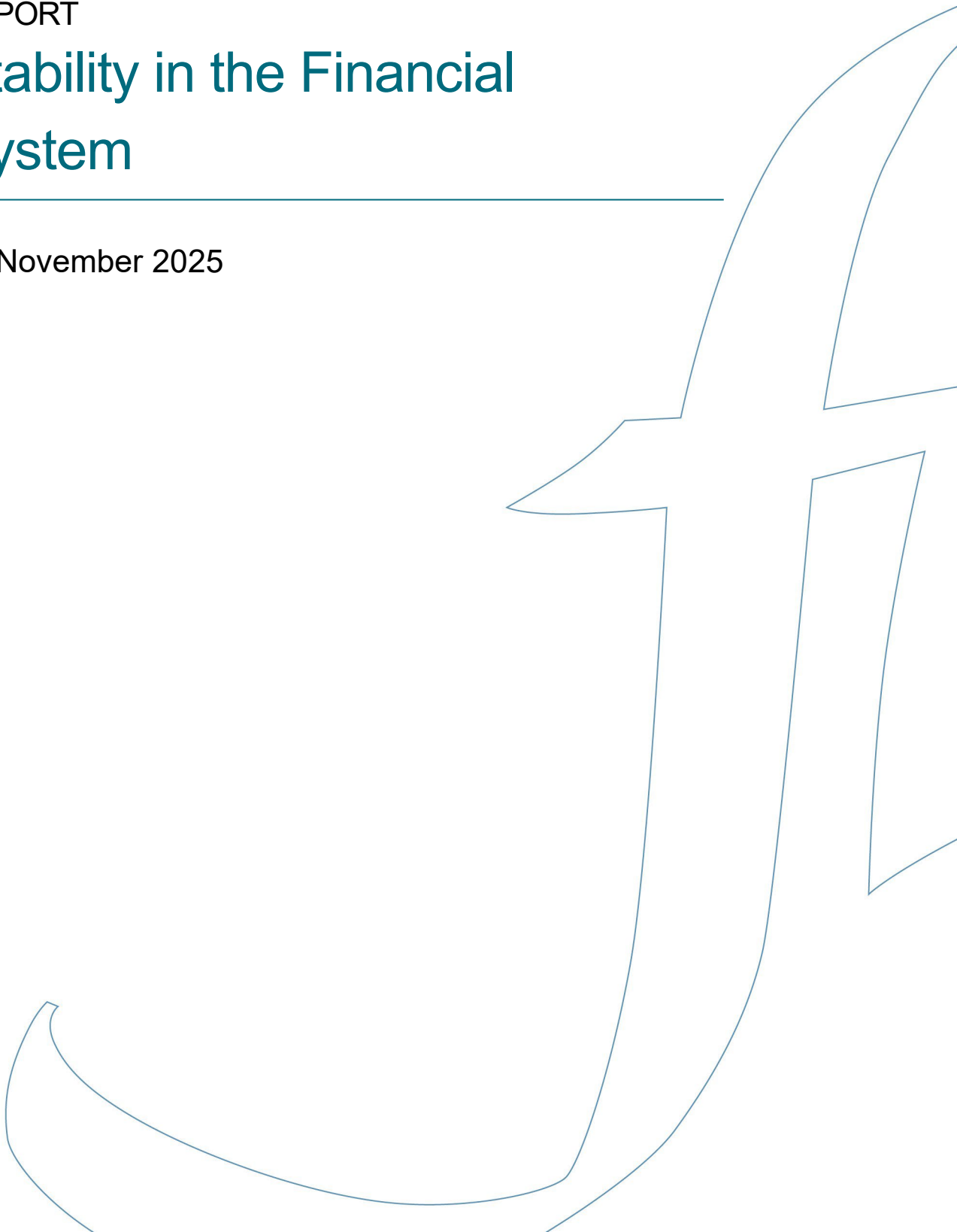




REPORT

Stability in the Financial System

26 November 2025



Summarized stability assessment

The sentiment in the Swedish economy has improved in recent months even if households continue to demonstrate weaker sentiment than normal. Stock markets have recovered since last spring, and lower interest rates are providing relief for indebted sectors. However, the US government's redirection of US policy in several areas has created considerable uncertainty about the future global economic conditions. The uncertainty related to trade policy decreased somewhat since last spring after the US entered into several trade deals. However, because the US is using trade barriers as a means of geopolitical pressure, there is a risk that the conditions of the trade deals could change going forward. Global economic conditions, in other words, are impacted by the actual measures from the US but also the uncertainty about whether these measures will apply going forward or not.

Russia's full-scale invasion of Ukraine continues unabated and the security situation continues to be strained. As a result, European NATO members have begun to invest more in defence, although several large European countries already have weak public finances and their long-term bond rates have increased over the past year. In the US, the political pressure on the Federal Reserve, the US central bank, has increased sharply. If the Federal Reserve's independent position is threatened, this could have ramifications for interest rate development and international capital flows.

Since our last stability report, risk taking on the financial markets has increased sharply. Stock markets have risen, and credit risk premiums have become tighter. The low price of risk combined with the high global uncertainty increases the probability of a negative shock that could spread throughout the global financial system. The tense security situation also places continued high requirement on financial corporations to maintain operational resilience.

Overall, Swedish banks and insurance undertakings are well capitalised, and Sweden's public finances continue to be very strong. Finansinspektionen (FI) is also working actively with the financial sector to strengthen the capacity of and increase the rate of development in Sweden's civil defence. This creates resilience in the Swedish economy and financial system.

Risk-taking on financial markets is high

Despite the elevated uncertainty, risk-taking on financial markets in the US is high. The volatility on the stock and bond markets is dampened, credit risk premiums are low, and the stock market has reached historically high levels. At the same time, the upswing on the stock market is concentrated to a few large technology companies that have made large investments in artificial intelligence (AI). The high valuation together with the high concentration on the US stock market could

constitute a stability risk. If the outlook for the large technology companies were to decline rapidly, there could be sharp price corrections, and in a bad scenario this could lead to global contagion effects. During the autumn, we have seen signs that the markets are reacting strongly to negative news related to specific companies in the technology and financial sectors. Risk-taking is high, in other words, but also shifting very quickly. In Europe, risk-taking increased again, but not to the same high levels as in the US. In an environment where uncertainty is high but the price of risk low, there is a higher probability of sharp price corrections and large capital flows. This could have contagion effects to other parts of the financial system.

Swedish households have an increasing exposure to US assets from their ownership of shares and funds. If there is a large price correction on the US stock market, this could have a negative impact on households' financial position. It does not pose a direct stability risk, but it could have a negative impact on household sentiment. Swedish life insurance undertakings and occupational pension undertakings also have some exposure to the US. These undertakings currently have strong solvency, but in a scenario where asset prices and market rates fall simultaneously, their solvency could deteriorate. However, they have satisfactory buffers of liquid assets and a long-term investment horizon. This counteracts potential procyclical behaviour and amplification of negative developments on financial markets.

Debt growth continues to be dampened

Household sentiment continues to be weak but has improved in late 2025.

Households are restrictive in their consumption and have increased their savings.

Price development on the housing market has been dampened in recent years, which has contributed to low debt growth among households. Going forward, the interest rate cuts that have been made will lead to lower interest expenses.

Combined with stronger income development, households' cash flows are expected to improve. The Swedish Ministry of Finance has proposed in a memorandum¹ more lenient borrower-based macroprudential measures. If these measures are implemented, more households will be able to borrow more to buy a home, which will probably lead to higher housing prices. Vulnerabilities related to the growth of household debt, therefore, could increase going forward. Overall, however, FI makes the assessment that vulnerability related to household debt growth is low right now.

Debt growth among non-financial corporations was low in 2024 and 2025. For commercial real estate firms, lower interest expenses have led to improved profitability. Their financial position has improved from low debt growth and improved profitability. However, in a scenario with a more prolonged economic

¹ *Utveckling av makrotillsynsområdet* (Development of the macroprudential policy area), (Fi2025/01375).

downturn and low inflation, vacancy rates could increase and rent growth fall, which puts pressure on commercial real estate firms earnings. Even if indebtedness has decreased, FI makes the assessment that some commercial real estate firms continue to be vulnerable due to their weak financial position. Commercial real estate firms therefore need to continue to work to strengthen their financial position.

FI makes the assessment that the major Swedish banks' asset quality has improved slightly. However, due to the high geopolitical uncertainty, there is a risk that the development of the Swedish economy could worsen going forward. This could apply renewed pressure to households and non-financial corporations cash flows and lead to a deteriorated financial position. That could lead to more bankruptcies and higher unemployment, which would increase the banks' credit risks. However, since the major Swedish banks have significant capital buffers and continue to have a good profitability, FI makes the assessment that the banks are resilient to such a scenario.

Overall, FI makes the assessment that significant cyclical systemic risks are not currently building up in the Swedish economy. FI therefore intends to leave the countercyclical capital buffer rate unchanged at 2 per cent for Q4 2025 (see In-depth Review – FI intends to leave the countercyclical capital buffer rate unchanged in the fourth quarter).

Banks and non-financial corporations have good access to financing

Liquidity on the markets for Swedish government bonds and covered bonds has improved in recent years. Improved liquidity makes the markets less vulnerable to shocks and dampens potential contagion effects that could spread to other parts of the financial system. If a shock would occur on the US or European fixed income market it could spread to the Swedish fixed income market. However, the improved liquidity combined with Sweden's very strong public finances provides resilience.

Commercial real estate firms' financing situation continues to improve. Debt issuance volumes have increased the past year, and commercial real estate firms with lower credit ratings have been able to issue bonds at lower interest rates. One-fourth of the commercial real estate firms' financing had a fixed interest-rate term of less than one year at the end of Q3 2025, which was lower than at the end of 2024. However, the percentage of their financing with a fixed interest-rate term of less than one year is still relatively large, which makes commercial real estate firms vulnerable to shocks on the financial markets.

The major Swedish banks continue to have good access to market financing in all currencies. The major banks' liquidity reserves, which primarily consist of holdings at central banks in EUR and USD, have increased in recent years. The major banks continued to maintain a good margin to the liquidity requirements, which means that they have good resilience to shocks on the financial markets.

The high uncertainty combined with a low price of risk means that risk-taking on global financial markets could change rapidly and large capital flows could arise. This increases the liquidity risks for Swedish investment funds. Swedish corporate bond funds are particularly vulnerable since the Swedish corporate bond market is small and has low liquidity. In order to be able to better manage liquidity risks in the investment fund sector, a proposal from a government inquiry² recommends the introduction in 2026 of a requirement that each open fund must include at least two liquidity tools in their fund rules. This is expected to reduce liquidity risks in the Swedish investment fund sector going forward.

Significant concentration and interconnection in the financial system

The major Swedish banks are highly interconnected, both to one another and to other parts of the financial system. The major banks and the life insurance undertakings and occupational pension undertakings are also significant counterparties to one another in various derivative contracts. They are thus interconnected through transactions on the derivative market. Life insurance undertakings and occupational pension undertakings also own a large share of the securities issued by the banks and thus are highly exposed to the banking sector. Both sectors also have significant exposures to the real estate sector. This creates structural vulnerabilities in the financial system, and shocks in one part of the system could spread to other parts of the system. Increased use of AI among both financial corporations and society at large could lead to new vulnerabilities going forward (see In-depth Review – AI and financial stability).

The deteriorated state of geopolitical security increases the risk of cyberattacks on financial corporations. This continues to place high demands on the financial corporations' operational resilience. The interconnection of systems and dependencies between financial corporations means that such a shock could have widespread contagion effects. Through the financial corporations' incident reporting under the EU regulation on digital operational resilience³ (DORA or the DORA regulation), FI will soon gain a better overview of operational

² *En starkare fondmarknad* (A stronger investment fund market) (SOU 2025:60).

³ Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011

vulnerabilities in the financial sector. As a sector-responsible authority in the financial services preparedness sector, FI plays a key role in Sweden's total defence. This responsibility entails leading the sector's work to coordinate measures prior to and during peacetime crisis situations and in heightened states of alert in cooperation with other preparedness authorities in the sector. In line with the Government's instructions, FI is working actively to strengthen the capacity and increase the rate of development of Sweden's civil defence. A large part of this work entails engaging financial corporations in the total defence planning. As a support for financial corporations planning for their part in the total defence, FI has now published a planning guidance.⁴

⁴ FI's planning guidance can be found on our website:
<https://www.fi.se/sv/publicerat/nyheter/2025/sverige-behovet-finansiella-tjanster-i-krig2/>.