



FI Ref. 20-921

**Finansinspektionen**  
Box 7821  
SE-103 97 Stockholm  
[Brunnsgatan 3]  
Tel +46 8 408 980 00  
Fax +46 8 24 13 35  
finansinspektionen@fi.se  
www.fi.se

## Countercyclical buffer rate

### Decision by Finansinspektionen

Finansinspektionen has decided not to change the countercyclical buffer rate, and it is thereby set at 2.5 per cent. This means that Finansinspektionen's regulations (FFFS 2014:33) regarding the countercyclical buffer rate will not be amended.

### The case

Finansinspektionen (FI), in accordance with Chapter 7, section 1 of the Capital Buffers Act (2014:966), shall set a countercyclical buffer guide and a countercyclical buffer rate each quarter.<sup>1</sup>

The purpose of the countercyclical capital buffer is to maintain and strengthen the banks' resilience when systemic risks increase. It is then possible to lower the buffer requirement or completely remove it in the event of a financial crisis or when circumstances otherwise justify a decrease. This releases capital, which gives the banks the possibility of maintaining their lending activities, and thus alleviates a downturn in the economy.

The last time FI decided to change the countercyclical buffer rate was on 18 September 2018. FI decided then to raise it from 2 to 2.5 per cent.<sup>2</sup> This rate went into effect on 19 September 2019.

### Finansinspektionen's assessment

In Q3 2019, the total debt of households and non-financial firms increased by 6.5 per cent on an annual basis. This is unchanged compared to the previous quarter and 1.5 percentage points lower than when FI last changed the buffer rate. As a result, total debt in Q3 2019 amounted to 163.4 per cent of GDP,

---

<sup>1</sup> The countercyclical buffer rate is changed in multiples of 0.25 percentage points. There is no maximum buffer rate, but automatic reciprocity applies only up to 2.5 per cent.

<sup>2</sup> FI (2018), *Ändring av föreskrifter om kontracykliskt buffertvärde*. Published on [www.fi.se](http://www.fi.se) on 18 September 2018, FI Ref. 18-11833. An English translation is available on the website.

which is 3.3 percentage points higher than the same quarter the previous year and 12 percentage points higher than the same quarter in 2016.

The growth rate for non-financial firms' total debt was 8.2 per cent in Q3 2019. This corresponds to an increase of 0.2 percentage points compared to the previous quarter and is due to a higher growth rate for non-financial firms' market financing. While market financing increased by 1.7 percentage points to 13.4 per cent, lending from Swedish monetary financial institutions (MFI) to non-financial firms decreased by 0.8 percentage points to 5.0 per cent on an annual basis. In Q3 2019, household debt increased by 5.0 per cent. This is the same growth rate as in the previous quarter. During 2019, household debt increased in line with household disposable income, which means that risks related to household debt have stopped growing. The credit-to-GDP gap calculated in accordance with the Basel Committee's standardised approach amounted to 2.6 per cent in Q2 2019. This means that the countercyclical buffer guide is set at 0.18 per cent.<sup>3</sup>

In December 2019, the Riksbank increased its policy rate to 0 per cent. However, interest rates in general continue to be low. After decreasing for the larger part of 2019, Swedish risk premia increased marginally towards the end of 2019. This has contributed to the premia being higher than what they were the last time FI changed the buffer rate, especially for firms with lower creditworthiness. Taken together, the conditions on the financial markets are judged to continue to be expansive. For the first time since Q1 2017, house prices increased marginally relative to household disposable income in Q3 2019. In December 2019, house prices increased 4.5 per cent on an annual basis. If house prices continue to increase rapidly, lending to households could also increase more rapidly.

FI's forecast model shows that household debt is expected to continue to grow at a slower rate in the future. FI's forecast indicates that total debt is expected to grow at a slightly slower rate in the coming year than it did in Q3 2019. The main reason is that the growth rate for the total debt of non-financial firms' is expected to slow.

Taken together, the indicators show that the systemic risks in the financial system continue to be high. FI therefore makes the assessment that the countercyclical buffer rate of 2.5 per cent should be kept in order for banks to continue to have satisfactory resilience. FI's assessment has also taken into consideration the previously communicated changes in the capital

---

<sup>3</sup> It should be noted that the buffer guide is most suitable as an indicator of any increases in the buffer rate – not decreases.

requirements. Given the overall development, Finansinspektionen has decided not to change the countercyclical buffer rate, and it is thereby set at 2.5 per cent.

A decision in this matter was made by Finansinspektionen's Director General Erik Thedéen following a presentation by Analyst Viktor Thell. Analyst Niclas Olsén Ingefældt and Chief Economist Henrik Braconier participated in the final proceedings.

FINANSINSPEKTIONEN

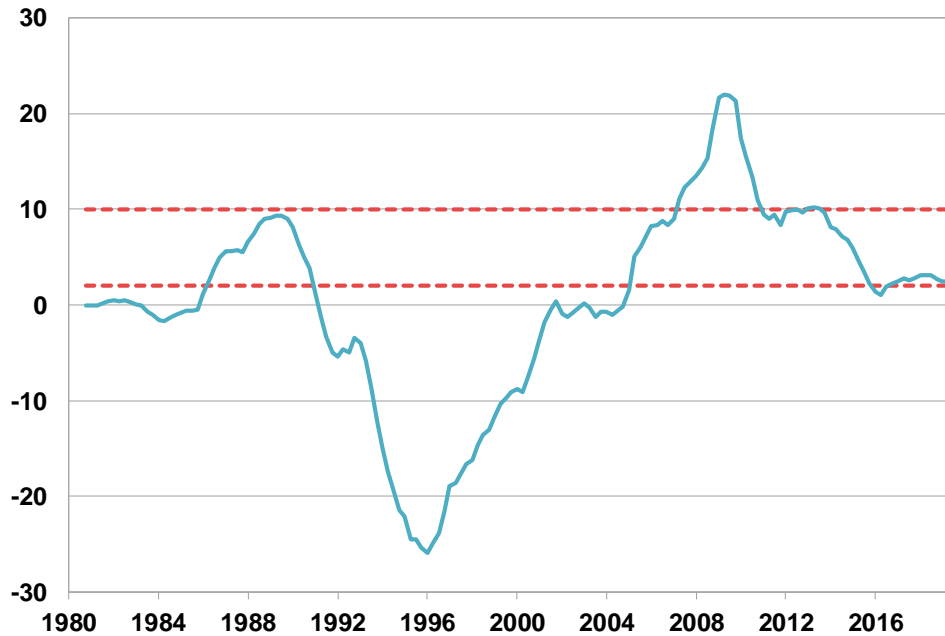
Erik Thedéen  
*Director General*

Viktor Thell  
*Analyst*

## Appendix 1: Indicators

### 1 Credit-to-GDP gap according to the standardised approach

Deviation from trend in percentage points

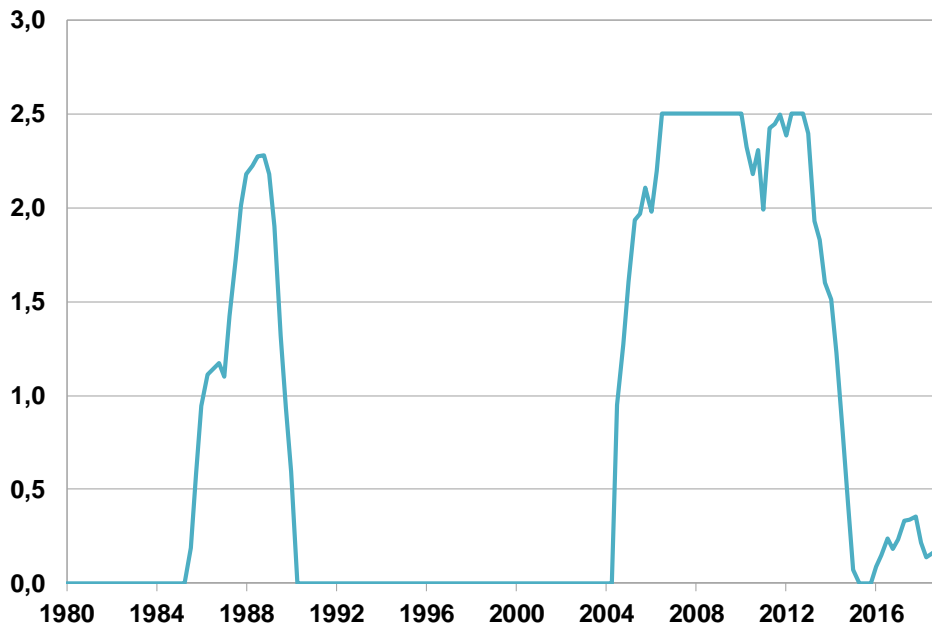


Note: The dashed lines show the thresholds (2 and 10 per cent, respectively) that according to the standardised approach are to be used to transform the credit-to-GDP gap into a buffer guide.

Sources: FI and Statistics Sweden.

### 2 Buffer rate according to the standardised approach

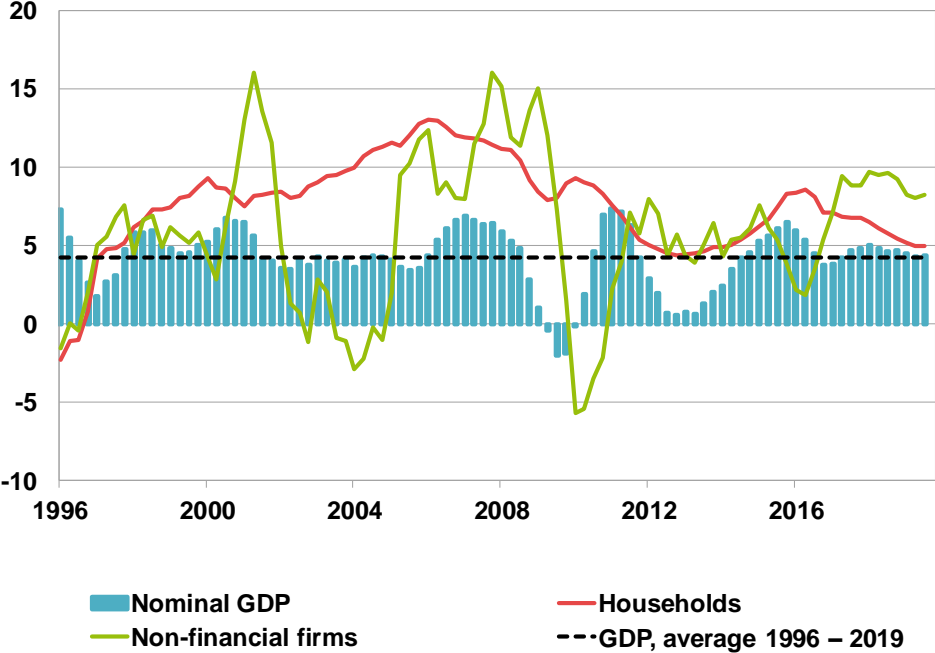
Per cent



Sources: FI and Statistics Sweden.

### 3 Lending to households and corporates and nominal GDP

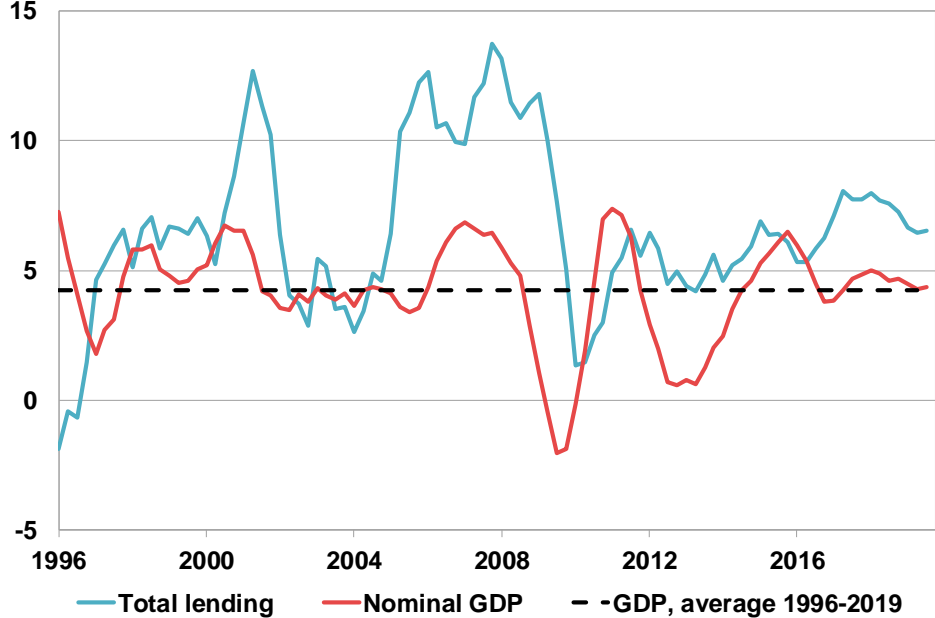
Annual change in per cent



Source: Statistics Sweden.

### 4 Total lending and nominal GDP

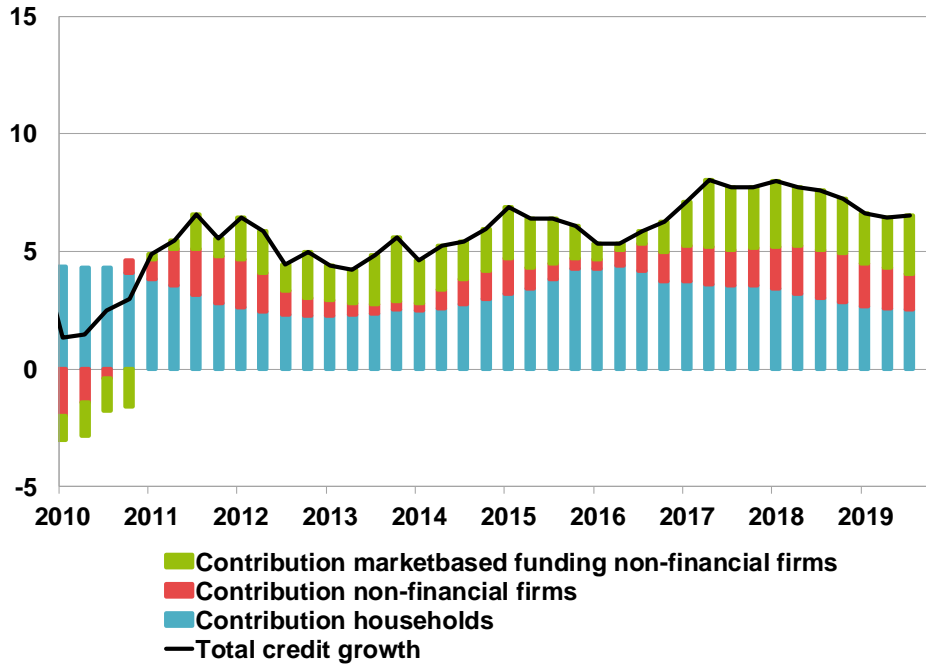
Annual change in per cent



Source: Statistics Sweden.

## 5 Contribution to total lending growth

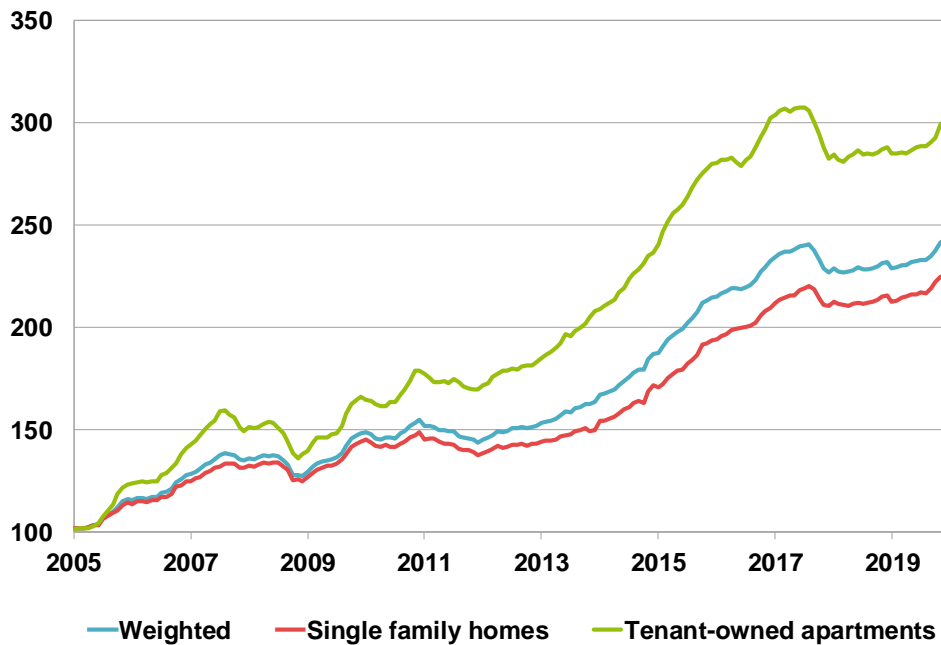
Annual change in per cent



Note: Refers to total lending to households and corporates and their contribution to the annual rate of growth in per cent. Contribution of non-financial firms refers to MFI's lending to non-financial firms.  
Sources: FI and Statistics Sweden.

## 6 House prices in Sweden

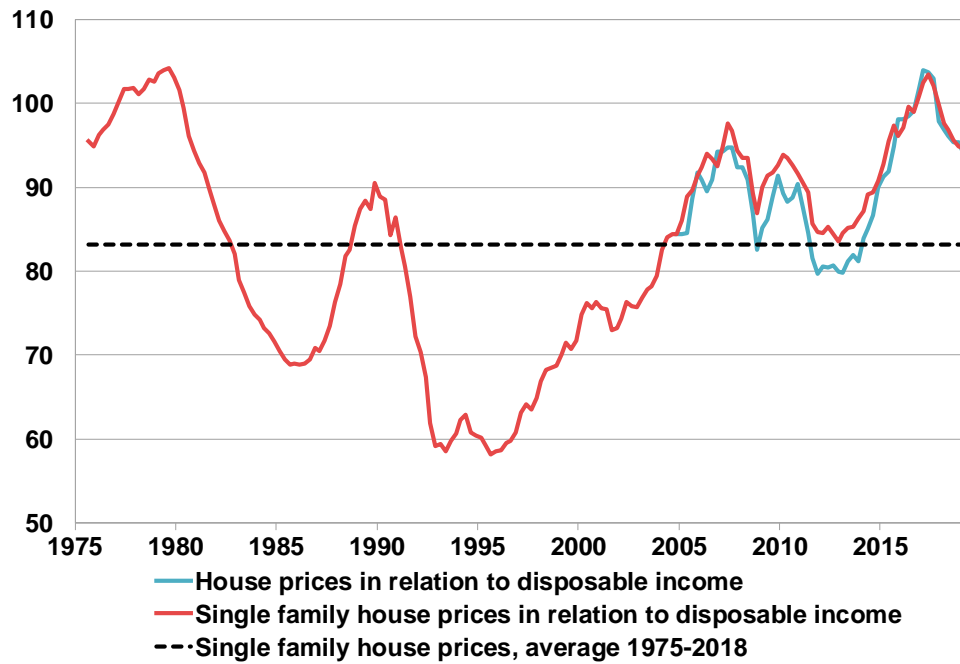
Index 100 = January 2005



Source: Valueguard.

### 7 House prices in relation to disposable income

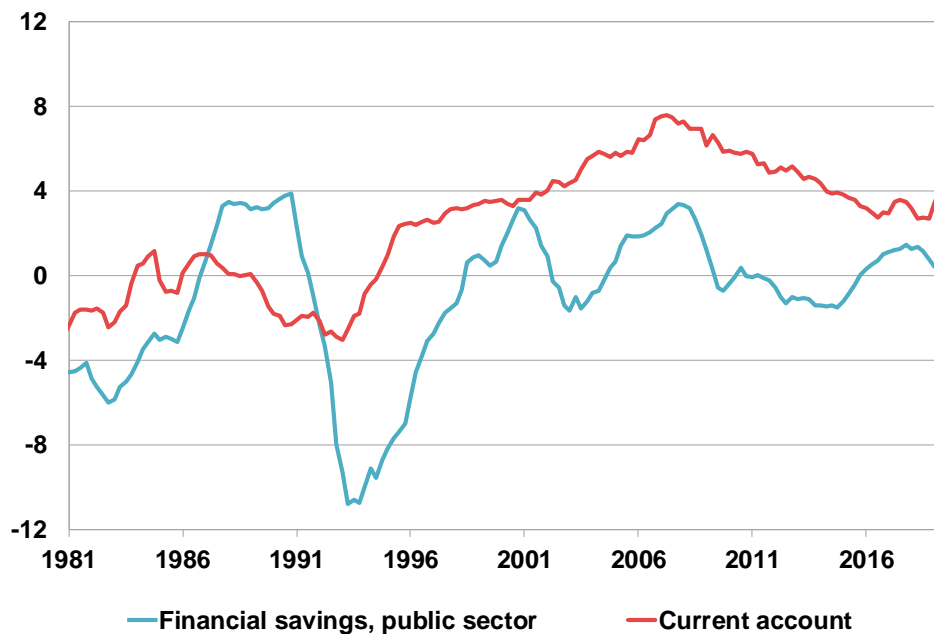
Index 100 = 1980



Sources: Statistics Sweden and Valueguard.

### 8 Current account and financial savings in the public sector

Per cent of GDP

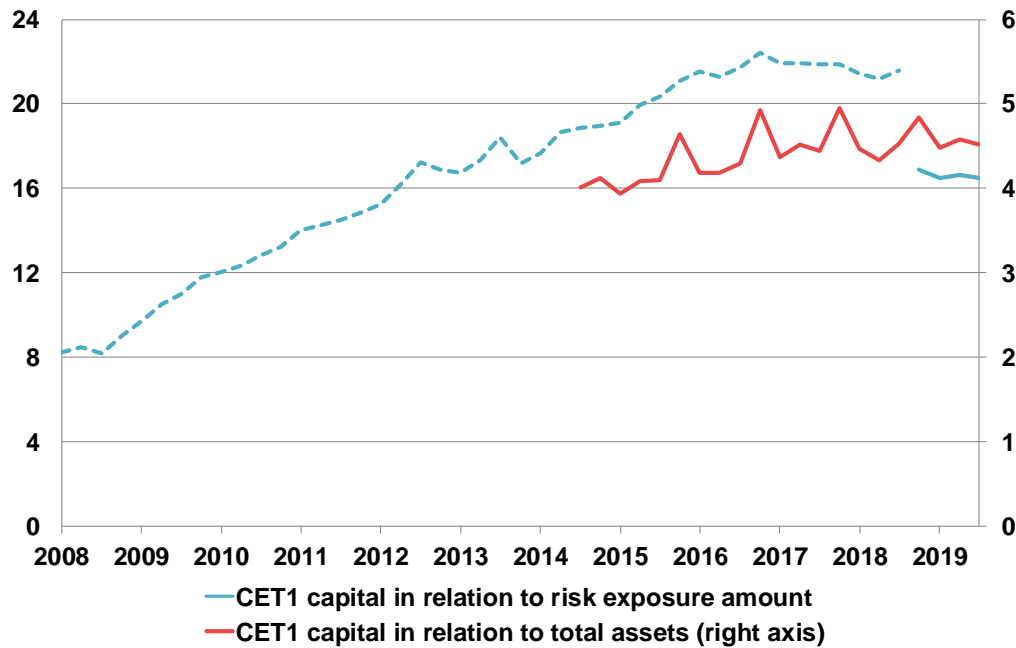


Note: The current account is calculated using the National Accounts.

Source: Statistics Sweden.

### 9 CET 1 capital

Per cent

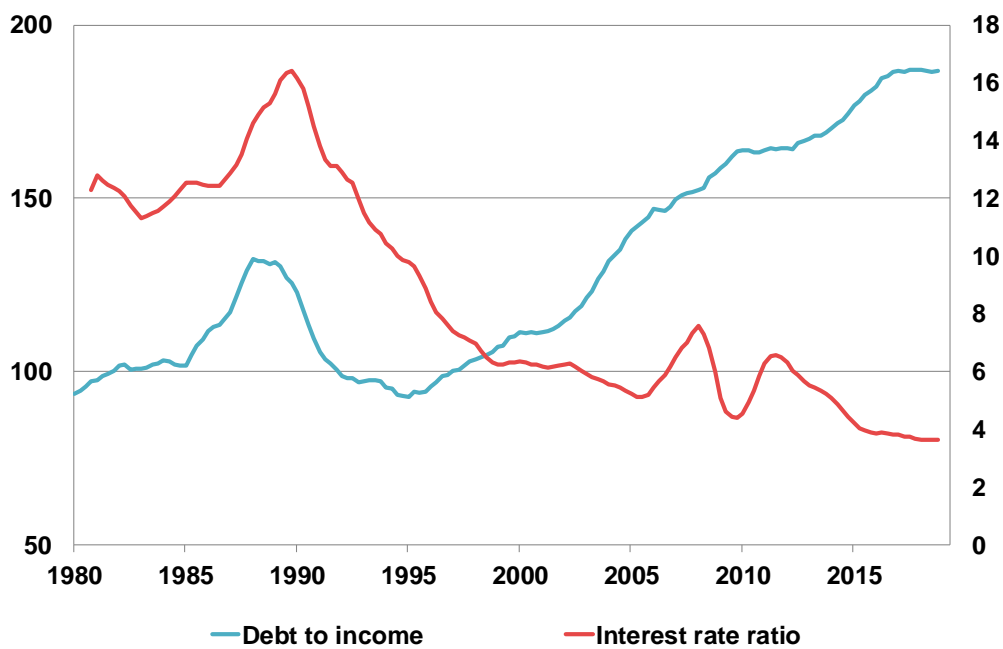


Note: The diagram shows an unweighted average for the three major Swedish banks. The decrease in the CET 1 ratio in Q4 2018 was the result of the changed method for the application of the risk weight floor for Swedish mortgages (see the decision for Q2 2019, FI Ref. 19-9265). The Total assets refer to the banks' consolidated situation.

Source: FI.

### 10 Household debt and interest rate payments in relation to income

Per cent of disposable income

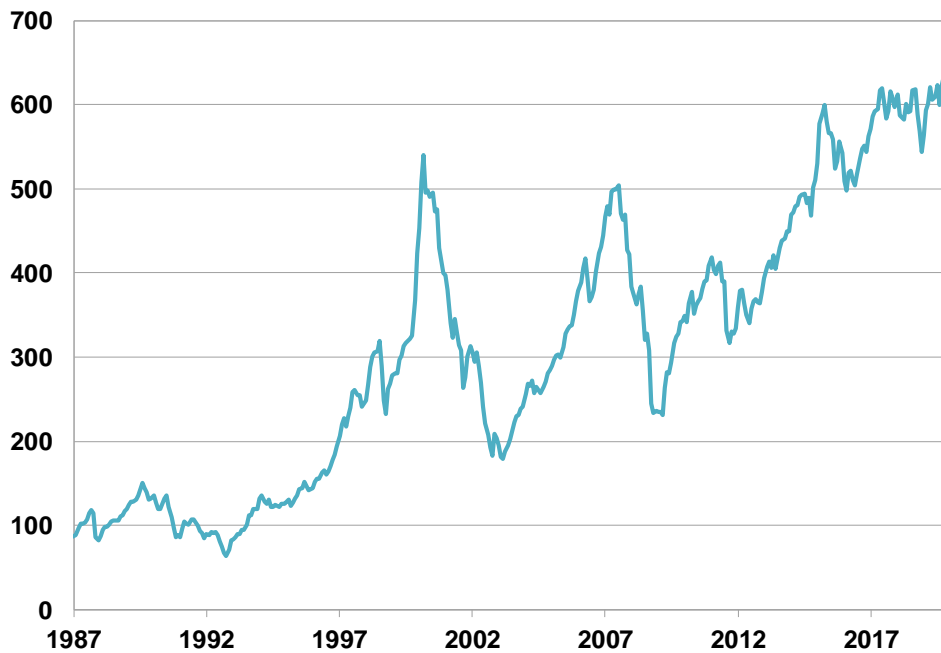


Source: Statistics Sweden.



## 11 Real equity prices

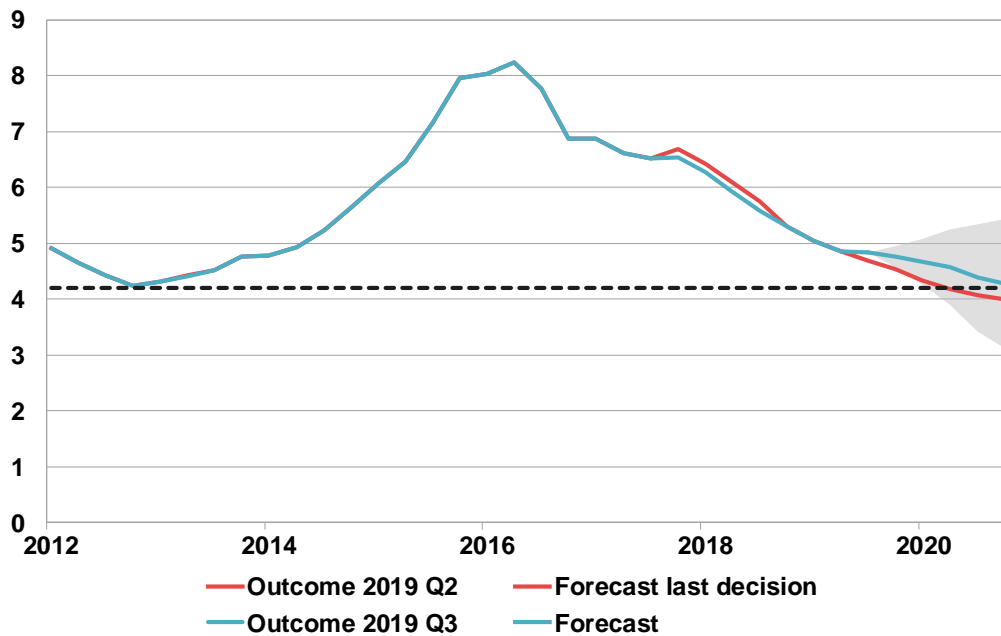
Index 100 = 1987



Sources: SCB and Refinitiv Datastream.

## 12 Forecast for lending to households

Annual change in per cent

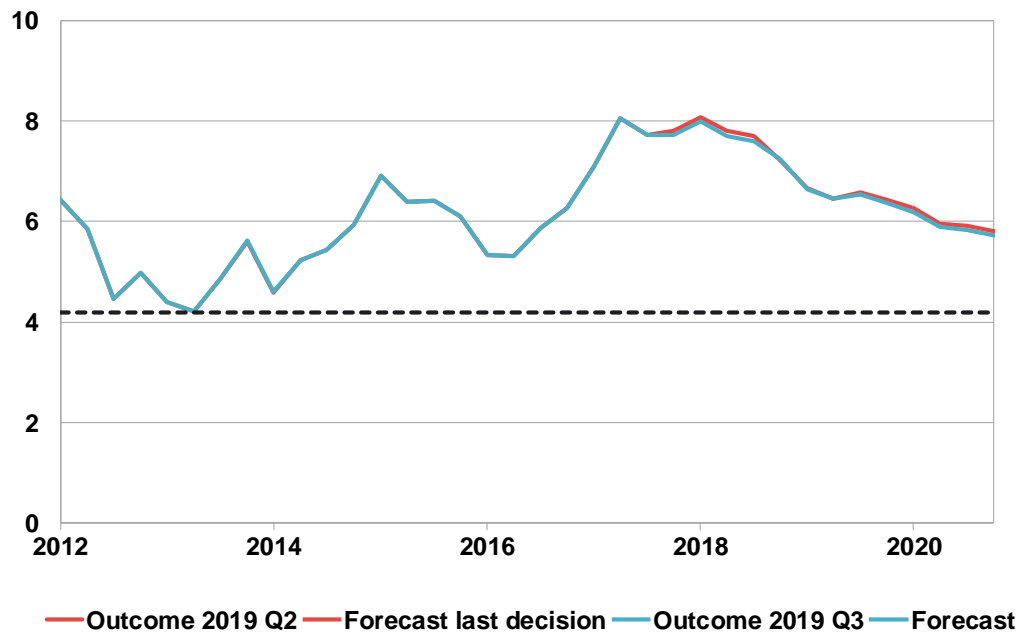


Note: The dotted black line marks the average growth in nominal GDP.

Sources: FI and Statistics Sweden.

### 13 Forecast for total lending

Annual change in per cent

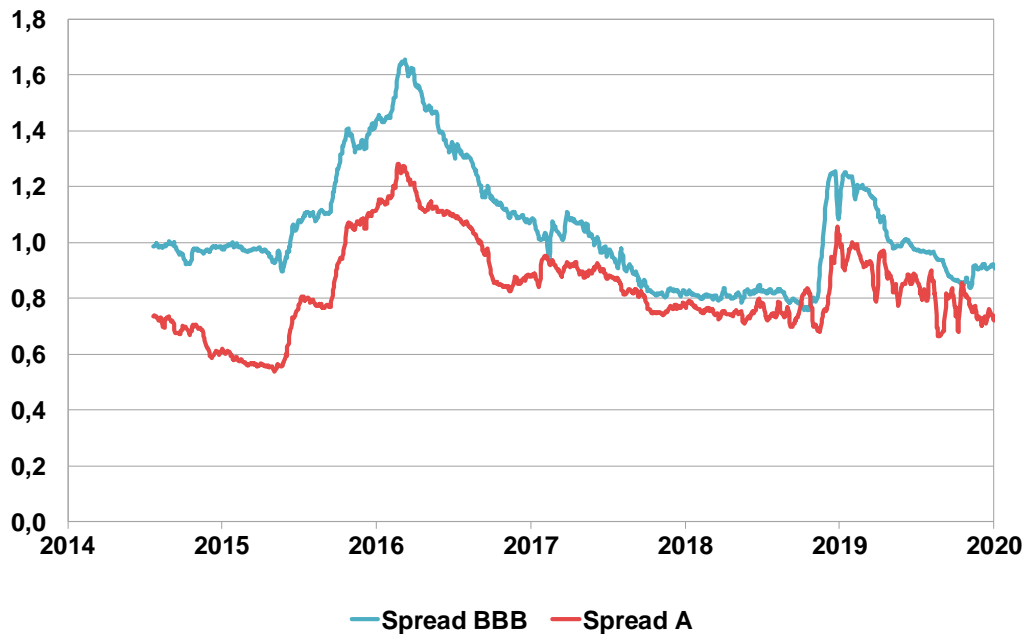


Note: The dotted black line marks the average growth in nominal GDP.

Sources: FI and Statistics Sweden.

### 14 Swedish risk premiums

Percentage points

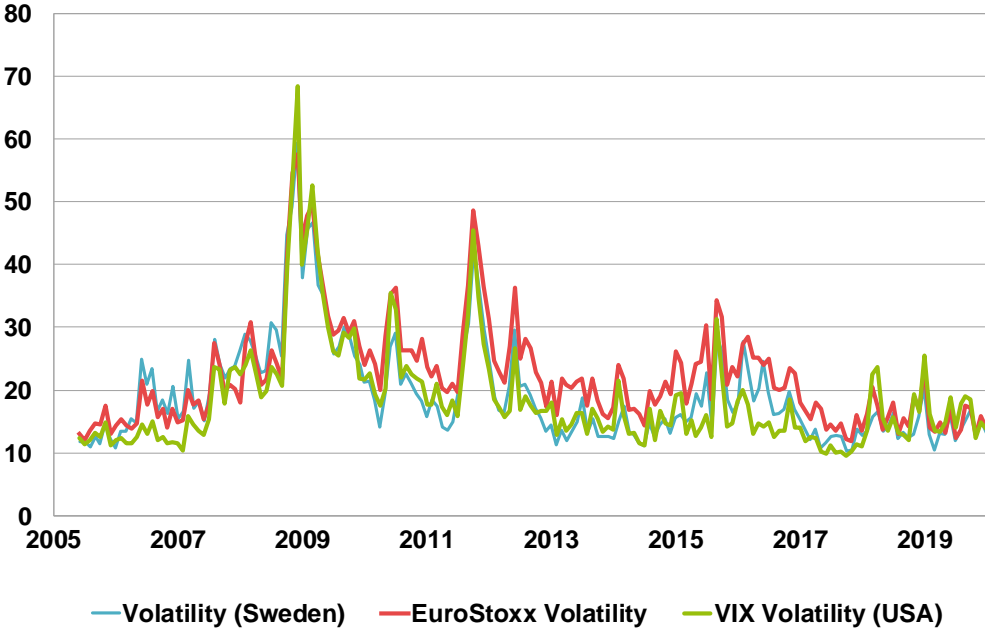


Note: Differences in interest rates for corporate bonds with different credit ratings in Sweden. The difference is calculated between the return for an index of Swedish corporate bonds (Thomson Reuters Sweden corporate benchmark) with a maturity of five years and a Swedish swap rate. The diagram shows the moving average for five trading days.

Source: Refinitiv Datastream.

### 15 Volatility index

Standard deviation



Note: Implicit volatility calculated from index option prices. Volatility (Sweden) is represented by SIX Volatility through September 2018. An average of OS30C implicit volatility estimated for calls and puts is used instead starting in October 2018.

Source: Refinitiv Datastream.