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#### COVER NOTE

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| To:              | Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union         |

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**COMMISSION STAFF WORKING DOCUMENT**

**In-depth review for Sweden**

**Prepared under Regulation 1176/2011 on the prevention and correction of  
macroeconomic imbalances**



European  
Commission

Sweden

**In-Depth Review 2026**



This in-depth review presents the main findings of the Commission's staff assessment of macroeconomic vulnerabilities for Sweden for the purposes of Regulation (EU) No 1176/2011 on the prevention and correction of macroeconomic imbalances. It provides technical input to the Commission for the Communication "European Semester – 2026 Spring Package" that will set out the Commission's assessment as to the existence of imbalances or

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# 1. INTRODUCTION

**This in-depth review (IDR) analyses the evolution of Sweden’s vulnerabilities related to the housing market and high private debt.** An IDR was carried out for Sweden in spring 2025, and in June 2025 the Commission concluded that Sweden was continuing to experience imbalances<sup>(1)</sup>. This year’s IDR, which follows the 2026 Alert Mechanism Report (AMR) published in November 2025, assesses the persistence or unwinding of the vulnerabilities identified last year, potential emerging risks, and relevant policy progress and policy options that could be considered for the future<sup>(2)</sup>.

**Sweden’s vulnerabilities are assessed against the backdrop of an economic recovery.** Real GDP growth is forecast at 2.6% in 2026 and 2.3% in 2027 after 1.5% in 2025. While external demand is set to remain subdued, a reduced household saving rate and fiscal measures—including tax reductions and a temporary VAT cut on food—should support consumption in 2026. Consumption is expected to rise to 2.9% in 2026, up from 1.7% in 2025. In addition, housing construction is expected to bottom out, contributing to a gradual recovery. The labour market is also set to improve, with unemployment estimated to gradually decline from 8.8% in 2025 to 8.4% in 2026 and 7.9% in 2027. The overall balance of risks remains tilted to the downside.

**Inflation was expected to fall in 2026 due to lower VAT on food.** Inflation was at 2.6% in 2025 and according to the Commission Autumn 2025 Forecast was set to fall to 0.6% in 2026 as the temporary VAT reduction takes effect, before reaching 1.6% in 2027. Cuts on VAT rates on food are set to expire in early 2028.

*The cut-off date for the data for preparing this IDR was 9 April 2026. Unless stated otherwise, all the forecast data used in this IDR were taken from the Commission’s Autumn 2025 Forecast<sup>(3)</sup> to ensure the coherence of the various figures and calculations. However, if actual outturn data become available after the publication of the autumn forecast, that is used. Assumptions concerning energy prices, other commodities prices, and other general assumptions were taken from the Autumn 2025 Forecast and do not reflect developments related to the war in the Middle East and its impact on energy prices<sup>(4)</sup>.*

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<sup>(1)</sup> European Commission (2025), Sweden – In-depth Review 2025, Staff Working Document, SWD(2025) 124 final (published as European Economy, [Institutional Paper 316](#), May 2025); and European Commission (2025), 2025 European Semester - Spring package, Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, [COM\(2025\) 200 final](#).

<sup>(2)</sup> European Commission (2025), Alert Mechanism Report 2026, Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee, [COM\(2025\) 956 final](#); and European Commission (2025), Alert Mechanism Report 2026, Staff Working Document, [SWD\(2025\) 956 final](#).

<sup>(3)</sup> European Economy, [Institutional Paper 327](#)

<sup>(4)</sup> The Commission is assessing the sensitivity of Member States to major economic shocks originating abroad, including in the context the recent sharp increase in energy prices and trade tensions. The results of this analysis will be

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published in the forthcoming European Commission Institutional Paper dedicated to spillovers analysis that accompany the 2026 in-depth reviews.

## 2. ASSESSMENT OF MACROECONOMIC IMBALANCES

**For several years, Sweden's economy has faced vulnerabilities related to the real estate market and high levels of private debt.** Following a period of falling house prices and subdued credit growth, prices have started to rise again while lending activity has also picked up. Given the high levels of private debt and the existing structural links between household debt, high-interest rate sensitivity, and housing supply constraints, vulnerabilities remain. These are compounded by property-related corporate exposures. However, they are somewhat cushioned by the resilience of households, firms and the financial sector. Sweden's economy remains sensitive to shifts in financing conditions.

### 2.1. HOUSING MARKETS

#### *Assessment of gravity, evolution and prospects of vulnerabilities*

**Nominal house prices stabilised in 2025 after declining over most of the period between 2022 and 2024, but further moderation is unlikely amid persisting supply constraints.** Nominal house price growth turned positive in the second half of 2024 and continued rising into 2025 (Graph 2.1 a). House prices rose 1% y-o-y in 2025 as the market stabilised. Despite the stabilisation in prices, the number of dwellings for sale remains historically high, and time-to-sale is prolonged, suggesting more cautious buyer sentiment.<sup>(5)</sup> Nevertheless, valuation indicators suggest that house prices remain high relative to fundamentals, with an estimated overvaluation of approximately 18% in 2025 according to the Commission methodology. In the long term, a moderation in house prices seems unlikely. Supply constraints are expected to persist, while borrowing requirements ease and household incomes continue to grow.

**Affordability continues to improve in terms of house prices, but considerable differences remain between metropolitan areas and the rest of the country.** The decline in house prices has eased affordability pressures, with the price-to-income ratio gradually declining since 2021. Over this period the deviation in the price-to-income ratio to its long-term average reduced from 36% at the end of 2021 to 12% at the end of 2025, signalling a significant improvement in affordability. In addition, the number of years of income needed to buy a 100 square metre apartment continues to fall. In 2021, it took 8.3 years of household income, whereas in 2025 that is projected to have edged down to about 6.9 years. However, this masks a considerable difference in prices between the major metropolitan areas, in particular Stockholm, and the rest of the country. While improved affordability in

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<sup>(5)</sup> [Financial Stability Report 2025:1](#)

some areas eases household pressures, persistent supply bottlenecks in urban areas continue to constrain the market.

**Approximately half a million new housing units are estimated to be needed over the coming decade but supply falls far short of expected demand.** The European Commission estimates that approximately 550 000 new dwellings will be needed in Sweden up until 2035, 77% of which will be needed in metropolitan areas (36% in Stockholm alone).<sup>(6)</sup> However, over the same period net dwelling construction is expected to reach just 354 000, leaving a considerable shortage. Nevertheless, building permits, residential investment, and construction output remain subdued and well below pre-COVID levels. Building-permit data confirm the severity of the construction downturn and point to a gradual stabilisation at low levels (Graph 2.1 d). The National Board of Housing, Building and Planning forecasts approximately 30 000 dwellings to be completed in 2026 and 33 000 in 2027,<sup>(7)</sup> falling far short on the expected demand. A significant increase in construction would be needed to prevent a widening of the housing supply gap. The number of dwellings authorised under new construction fell by more than 50% y-o-y in 2023<sup>(8)</sup> before levelling off in 2024 and early 2025. This decrease reflects higher borrowing costs, weaker housing demand amid falling prices, and elevated construction costs that have reduced developers' profitability. Quarterly data show that activity remains significantly below the 2019 average, suggesting that the housing-supply pipeline is still constrained.<sup>(9)</sup>

**The rental market continues to be defined by a divide between regulated apartments with below-market rents and newer units with market-aligned rents.** Rental controls in Sweden are the strictest in the OECD.<sup>(10)</sup> This structure continues to generate long waiting lists for regulated apartments and restricts labour mobility. Conditions have shifted since 2023: as inflation eased, the earlier decline in real rents was reversed and rents rose again in 2025, increasing the burden on tenants even as nominal rent growth moderated. With nominal rent adjustments following the high inflationary period with a lag, nominal rents increased in 2025 by 4.7%, well above consumer price inflation. Demand for higher-priced new-build units under presumption rents<sup>(11)</sup> has weakened. At the same time, falling mortgage rates and stabilising house prices have encouraged some households to buy, although many still face barriers due to the sizeable mortgages required. Tax incentives for mortgage-financed homeownership continue to sway households toward buying over renting.

### *Assessment of MIP relevant policies*

<sup>(6)</sup> Based on European Commission and JRC calculations and forecast. For details, see Balouktsi et al. (2026) Housing investment needs in the EU. [JRC Technical Report 144419](#).

<sup>(7)</sup> [Construction forecast analysis December 2025 - Boverket](#)

<sup>(8)</sup> [OECD Economic Surveys: Sweden 2025 | OECD](#)

<sup>(9)</sup> [Building permits for new construction, number of dwellings in residential buildings and buildings for seasonal and secondary use by region and type of building.](#)

<sup>(10)</sup> [Matching housing supply and demand: OECD Economic Surveys: Sweden 2025 | OECD](#)

<sup>(11)</sup> Presumption rents in Sweden are a method of setting rents for newly constructed apartments. Unlike the utility value rent system, presumption rents are based on the actual costs of producing the apartment.

**A lack of property taxation reforms hinder market responsiveness and affordability in the housing market.** <sup>(12)</sup> The recurrent property charge remains capped at a low level and is subject to degressive rates. There are no reforms aimed at amending the cap or the reference value. In Sweden, property assessments are revised every three to six years, limiting the responsiveness of taxation to market developments. Recurrent property taxes may complement macroprudential policy by further minimising down-side risk and house price volatility overall. <sup>(13)</sup>

**New rules aimed at making the rental market more flexible have been introduced.** These new rules aim to provide more flexibility to rent setting conditions as well as simplifying and expanding the block rental model. <sup>(14)</sup> While these new rules predominantly affect new builds, strict rent controls on the older housing stock remain in place. The long-standing utility-value system <sup>(15)</sup> continues to prevent market adjustment. Broader reforms of rental regulation would be necessary to improve affordability and reduce structural vulnerabilities in the housing market. <sup>(16)</sup>

**Strict regulatory requirements, administrative complexity and lengthy administrative procedures constrain housing supply.** Barriers in the permitting process limit housing construction while having an upward effect on land prices. A new regulatory framework for building permits entered into force in December 2025 that give property owners greater flexibility on how to develop their property. However, these will not address the significant supply shortages foreseen, and so the scope for broader reforms remains. Furthermore, average zoning and permitting lead times have increased from around 45 months in 2015 to 56 months in 2024, reflecting administrative complexity and varying local requirements. <sup>(17)</sup> These long delays, together with strict rent controls, constrain new rental construction and lead to misallocation within the existing housing stock. This contributes to overcrowding, long rental waiting times in major cities, and subdued mobility across tenure types.

## 2.2. PRIVATE INDEBTEDNESS

### *Assessment of gravity, evolution and prospects of vulnerabilities*

<sup>(12)</sup> See European Commission Discussion Paper 156 [Immovable Property Taxation for Sustainable and Inclusive Growth - Economy and Finance](#)

<sup>(13)</sup> O'Brien, Staunton and Wosser (2022), *Recurrent property taxes and house price risks*, Central Bank of Ireland Economic Letter Vol. 2022, No. 4 (<https://www.centralbank.ie/docs/default-source/publications/economic-letters/recurrent-property-taxes-and-house-price-risks.pdf>)

<sup>(14)</sup> The block rental model involves purpose-building, owning, and managing entire residential apartment blocks for long-term rental.

<sup>(15)</sup> The utility value rent system, known as bruksvärdessystem in Swedish, is a method used to regulate rents in Sweden. It aims to ensure that rents are fair and reflect the utility value of the apartment reflecting size, location and amenities, rather than market demand.

<sup>(16)</sup> See Council of the European Union Research Paper *One roof, many realities: Europe's complex housing crisis* available at [https://www.consilium.europa.eu/media/00ybxicj/2025\\_2082\\_art\\_housing\\_web.pdf](https://www.consilium.europa.eu/media/00ybxicj/2025_2082_art_housing_web.pdf)

<sup>(17)</sup> [Matching housing supply and demand: OECD Economic Surveys: Sweden 2025 | OECD](#)

### **Household debt levels in Sweden remain high, despite several years of gradual decline.**

After peaking at 95% of GDP in 2021-Q1, household debt (as a share of GDP) has been gradually declining, lowering to 83% by the end of 2025. This represents its lowest level since 2015 (Graph 2.1 c), but is still significantly above the EU average of 50.7% and well above the MIP threshold of 55%.<sup>(18)</sup> The reduction in the debt-to-GDP ratio in Sweden was driven by a strong deceleration in credit growth amid high inflation (Graph 2.1 e). Household credit growth mirrors developments in house prices as mortgages account for around 80% of household debt. About half of all Swedish households have a mortgage, compared to about a quarter of all households in the EU.<sup>(19)</sup> High debt levels are also related to the fact that a significant proportion of mortgages in Sweden are non-amortising. Amortisation requirements were only introduced in 2016 for new borrowers.<sup>(20)</sup> In 2024, 84% of new mortgagors amortised their mortgage.<sup>(21)</sup>

### **Lending activity has gradually picked up, as declining interest rates have supported an increase in net credit flows.**

After interest rates reached 4% in 2023, the Swedish central bank (Riksbank) eased rates from May 2024, lowering the interest rate to 1.75% by October 2025. This reduction in interest rates encouraged a rebound in borrowing as of 2024. Easing borrower-based macroprudential measures in 2026 could give a further boost to credit growth, which would in turn increase vulnerabilities.<sup>(22)</sup> Nevertheless, borrowing has not yet returned to previous levels. As a result, the household debt ratio is expected to continue declining in the near future, albeit at a slower pace (see Box 2.1 on debt projections below).

### **The burden of debt servicing has intensified, with interest payments rising to around 5% of disposable income in 2024.**

The burden of debt servicing remains above the levels observed over the past decade (Graph 2.1 b), although it eased somewhat to 4% in 2025. The Riksbank notes that many mortgagors, especially those who took out loans during the 2021–22 period, still face constrained consumption capacity due to higher living costs and accumulated debt-servicing needs.<sup>(23)</sup> The Swedish Enforcement Authority also reports a growing share of households struggling to meet payments, reflecting the earlier sharp increase in interest rates and weak economic conditions. This had been compounded by the expansion of lending by consumer-credit institutions with looser credit assessments.<sup>(24)</sup> These developments highlight that, despite stabilising macro conditions, household balance sheets remain uneven and fragile. Looking forward, lower interest rates and stronger income growth are expected to ease debt-service pressures. While non-performing mortgage loans

<sup>(18)</sup> [Euro area economic and financial developments by institutional sector: third quarter of 2025](#). Data refer to the third quarter of 2025.

<sup>(19)</sup> See Eurostat data: [Distribution of population by tenure status, type of household and income group](#)

<sup>(20)</sup> Mortgages with a LTV ratio greater than 50% must amortise 1% per year. Where the LTV ratio exceeds 70%, the rate increases to 2% per year. In 2018 an additional requirement was added requiring mortgagors with a mortgage greater than 450% of their gross income to amortise an additional 1% of the total mortgage per year.

<sup>(21)</sup> FI [The Swedish Mortgage Market](#)

<sup>(22)</sup> [Stability in the Financial System \(2025:2\). FI Analysis 51: A model for households' housing choices](#).

<sup>(23)</sup> [Financial Stability Report 2025:1 Thedéen: Höga skulder och korta räntebindingstider gör svenska hushåll sårbara | Sveriges Riksbank](#)

<sup>(24)</sup> [FI Analysis No. 48: Share of consumer credit debt registered with Swedish Enforcement Authority increases during economic downturns | Finansinspektionen](#)

remain low, lingering payment difficulties and continued reliance on amortisation exemptions underline households' sensitivity to renewed shocks.

**Household debt measures do not fully reflect households' financial exposure, as loans held by tenant-owner associations are not counted in the household sector accounts.**

These associations, which manage over one million apartments, carry substantial debts indirectly borne by members through monthly fees. The association finances interest and amortisation payments through the monthly fees of its members. The combined effect of personal mortgages and association-level debt leaves households sensitive to renewed interest rate increases. For example, in 2024, data from the Swedish Financial Supervisory Authority show that associations' average member fees were approximately 5% higher than in 2023 and almost 15% higher than in 2022. <sup>(25)</sup> From 1 January 2025 annual report filing for tenant-owner associations to the Companies Registration Office became mandatory, thus improving somewhat the transparency of housing-related debt exposures.

**Corporate indebtedness in Sweden remains among the highest in the EU.** The corporate debt-to-GDP ratio has been declining gradually since it peaked at 123% in 2022, falling to 110.5% in 2025, reflecting slower domestic bank lending and improving net financial positions (Graph 2.1 c). This compares to the euro area non-financial corporate debt-to-GDP ratio of approximately 65.9%. <sup>(26)</sup> Corporate credit flows turned positive in 2025, reaching roughly 2% of the lagged debt stock after two years of contraction, signalling a recovery in financing activity (Graph 2.1 f). Nevertheless, the corporate debt-to-GDP ratio is projected to keep declining in 2026 and 2027, but risks plateauing afterwards (see Box 2.1 on debt projections below). Borrowing costs have eased significantly, with the implicit yield on corporate debt falling from 3.45% in late 2024 to 2.7% in 2025-Q3, and new loan rates averaging 3.6% by mid-year. <sup>(27)</sup> Furthermore, profit margins stabilised at approximately 14%, suggesting some improvement in debt-servicing capacity.

**Financing pressures eased for the highly leveraged commercial real estate (CRE) sector in 2025.**

CRE firms faced challenges when capital market finance dried up around the interest rate peak and banks stepped in to cover the financing needs of CRE firms. Since then, the financing situation of CRE firms has improved. Capital market access continued to open-up to CRE firms as liquidity conditions continued to improve throughout 2025. The highly leveraged major CRE firms, which are financed largely via the bond market, have benefited from the declining yields and risk premiums on corporate bonds. Given its systemic relevance—accounting for approximately 40% of total non-financial corporate debt—the sector remains a key source of structural vulnerability, particularly if financing were to dry up or interest rates were to rise suddenly, as seen in 2022-23. <sup>(28)</sup> Similarly to household mortgages, the financing of CRE firms, including those engaged in housing construction, is also skewed to the short end of the yield curve. This heightens re-financing

<sup>(25)</sup> FI [The Swedish Mortgage Market](#)

<sup>(26)</sup> [Euro area economic and financial developments by institutional sector: third quarter of 2025](#). Data refer to the third quarter of 2025.

<sup>(27)</sup> [Mortgage interest rates decline](#)

<sup>(28)</sup> [Sweden: 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Sweden; IMF Country Report No. 25/79; March 13, 2025](#)

risks and interest sensitivity, which has been a key factor in the sharp slowdown in housing construction in recent years (Graph 2.1 d).

**The Swedish banking sector remains strong, profitable, and with low levels of non-performing loans.** In the banking sector, total property-related lending, which is largely driven by household mortgages, stood at 90.5% of GDP in 2025-Q3, down from 106% in 2020. Risk-weighted capital buffers are strong, with the main capital ratio (tier 1) at 20.7% in 2025-Q3, still well above EU and euro area averages and providing a cushion against shocks. Profitability has eased slightly from its recent peak but remains strong by international standards, while non-performing loans remain low (at approximately 1.1% of total loans).

### *Assessment of MIP relevant policies*

**Sweden's taxation policies continue to favour borrowing for home ownership.** Generous mortgage-interest deductibility continues to encourage the accumulation of debt, while the recurrent property charge remains capped at a low level. This combination inflates land and house prices and effectively subsidises mortgage-financed ownership, reinforcing imbalances between the owner-occupied and rental sectors. These factors have contributed to a persistently high reliance on mortgages and leaves the housing market sensitive to shifts in interest rates and incomes, even as rule changes on capital-gains taxation have slightly improved labour mobility.<sup>(29)</sup> Furthermore, the predominance of short-term interest rates in housing loans has heightened households' sensitivity to rate changes, which has knock-on effects on household consumption. The resulting high costs of servicing housing loans have contributed to the slowdown in private consumption in recent years.

**Macroprudential policies remain important to contain risks related to high household debt and have played an important role in helping contain vulnerabilities in the housing market in Sweden.** Since 2010, a range of policies have been introduced. A loan-to-value (LTV) cap was introduced in 2010, followed in 2016 by additional measures that mandated minimum amortisation rates based on LTV ratios. An extra amortisation requirement for mortgagors with high debt-to-income ratios was introduced in 2018.<sup>(30)</sup> The amortisation requirements and the mortgage cap have helped stem credit growth and limit vulnerabilities, and the existing rules were credited with supporting household resilience during the period of higher interest rates. A review of macroprudential policies was carried out by a government appointed inquiry, which in 2024 made a number of recommendations to the Government to amend the rules.<sup>(31)</sup>

**Following a review of macroprudential policies, the Government proposed an easing of borrower-based measures in February 2026, with legislative changes effective from April 2026.**<sup>(32)</sup> The amendments focus on three interrelated elements. First, borrower-based

<sup>(29)</sup> Act amending the Income Tax Act (1999:1229), no. SFS 2020:321, issued on 20 May 2020, published in the Swedish Code of Statutes on 21 May 2020, entered into force on 1 July 2020. The amendment aims to lower transaction costs for real estate purchases by raising the ceiling for deferred capital gains from SEK 1 450 000 to SEK 3 000 000 thereby trying to increase mobility on the housing and labour market.

<sup>(30)</sup> Swedish mortgage amortisation is set as a fixed percentage of the original loan amount per year (1–2 % depending on LTV). The 2018 rule adds a further 1 % for loans exceeding 4.5 times gross income.

<sup>(31)</sup> [Reglering av hushållens skulder \(Statens offentliga utredningar 2024:71\) | Sveriges riksdag](#)

<sup>(32)</sup> [Föreslagna förändringar av amorteringskrav och bolånetak - Regeringen.se](#)

measures are to be adjusted by raising the LTV cap from 85 to 90% for borrowers buying a home while adjusting it to 80% from 85% for those refinancing housing loans. The latter serves as a compensating safeguard to limit excessive leverage and discourage repeated equity extraction. Second, these instruments are to be anchored in a new law on housing credit, aimed at strengthening the legal clarity, predictability and accountability of macroprudential policy. Third, institutional responsibilities would be adjusted to give the Riksbank responsibility for the counter-cyclical capital buffer, with a view to improving coordination between macroeconomic and financial-stability policy. Overall, these measures entail a relaxation of macroprudential policy for borrowers. In addition to a higher LTV cap, the stricter amortisation rule, which subjected loans exceeding 4.5 times gross income to an additional 1% amortisation was dropped. While this supports affordability by reducing the required deposit for borrowers, it could lead to increased credit growth, and potentially add to price pressures,<sup>(33)</sup> despite the introduction of stricter requirements for those looking to refinance (LTV cap reducing to 80% from 85%). In addition, Sweden has no debt-to-income (DTI) limit to restrict borrowing by over indebted households.<sup>(34)</sup>

| Vulnerability               | Policies   | Implementation status  |
|-----------------------------|--|--|
| <b>Housing markets</b>      | Reform of the building permit framework that increases the number of measures that can be taken without the need for a building permit, aimed at reducing administrative barriers and supporting supply. <sup>35</sup>   | Adopted—law changes approved by the Riksdag on 22 October 2025; entered into force on 1 December 2025. |
|                             | Reform of rental market regulation, including greater flexibility in presumption rents for newly built rental housing and a simplified, more predictable framework for block rentals, aimed at improving investment incentives and supporting rental housing supply. <sup>36</sup> | Planned—legislative amendments are proposed to enter into force on 1 July 2026.                        |
| <b>Private indebtedness</b> | Government proposal to ease borrower-based measures, including raising the loan-to-value cap from 85% to 90% for buyers, but reducing it from 85% to 80%   | Adopted— entered into force on 1 April 2026.   |

<sup>(33)</sup> See [FI Analysis 51: A model for households' housing choices](#)

<sup>(34)</sup> [ESRB \(2024\)](#). Follow-up report on vulnerabilities in the residential real estate sectors of the EEA countries. The ESRB recommends consider introducing BBMs that would limit borrowing by overindebted households (e.g. a DTI limit), improve the timely availability of data on lending standards and continue with policy actions beyond the macroprudential remit to address structural vulnerabilities related to the housing market. These may include decreasing the tax deductibility of interest costs, raising property taxes and reforms of the rental market and construction regulations to improve the housing supply.

<sup>(35)</sup> [New regulatory framework for planning permission | Sveriges riksdag, Act amending the Planning and Building Act \(2010:900\)](#)

<sup>(36)</sup> [En mer flexibel hyresmarknad - Regeringen.se](#)

|  |   |  |
|--|---|--|
|  | for those refinancing, and removing the stricter amortisation rule for loans above 4.5× income. <sup>37</sup> |  |
|--|---|--|

Note: This table lists the main measures that may increase or reduce the risks of macroeconomic imbalances.

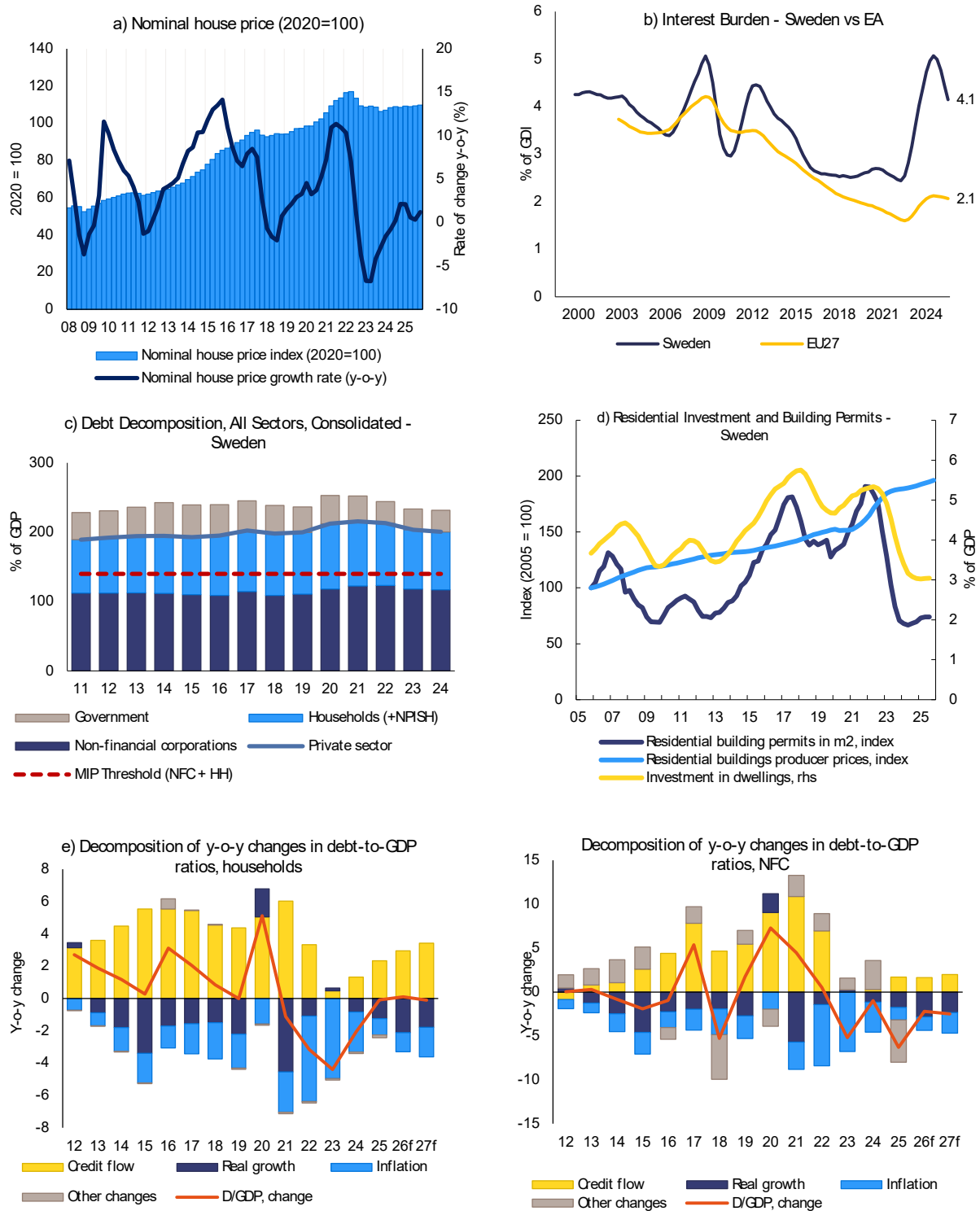
## Conclusions

**Despite a recent correction, Sweden continues facing interlinked vulnerabilities relating to its housing market and high levels of private debt.** High levels of household indebtedness remain closely linked to the housing market. The market showed signs of stabilisation in 2025, as house prices and mortgage lending began to recover after several years of subdued activity. The adjustment in the housing market and the broader deleveraging of the private sector had moderated house prices and indebtedness somewhat. The spike in inflation and interest rates in 2022 and 2023, in combination with the high-interest rate sensitivity of the Swedish economy, temporarily slowed economic growth. The effect was mitigated by resilient household balance sheets, a well-capitalised and profitable banking system with cautious lending standards and quickly easing financing conditions. However, household leverage remains elevated and is expected to rise again as borrowing picks up and the interest burden on households is projected to remain at higher levels than before the inflation surge. The commercial real estate sector is showing signs of improved refinancing capacity as interest rates have eased and capital market access has improved. Nevertheless, households and corporates remain highly indebted and supply-side rigidities in housing, coupled with easing borrower requirements, may further push house prices and debt levels up. At the same time, residential construction remains well below previous peaks and the estimated needs. Looking ahead, increasing housing supply, improving access to rental housing and reducing fiscal incentives for debt accumulation will be crucial to strengthening affordability and resilience.

**While certain advancements in policy have been achieved, the fundamental challenges persist without resolution.** Some policy progress related to increasing flexibility in the rental market has been made. However, recent reforms to the building permit framework will have a minimal impact on housing supply. Policy action in other areas has been lacking. Property taxation and the favourable taxation of mortgages, in particular significant mortgage interest deductibility, continues offering extensive incentives for household borrowing. Effective reforms could address incentives for debt accumulation. At the same time, notwithstanding the introduction of stricter borrower-based macroprudential measures for borrowers refinancing their loans, the very recent relaxation of requirements for buyers could lead to increased credit growth and higher house prices, particularly if housing supply issues remain prevalent. Balancing macroeconomic policies with structural reforms, Sweden could turn its ongoing stabilisation into a durable recovery and further reduce the long-standing vulnerabilities.

<sup>(37)</sup> [Föreslagna förändringar av amorteringskrav och bolånetak - Regeringen.se](#)

Graph 2.1: Selected graphs, Sweden



Source: Eurostat, European Commission forecasts and calculations.

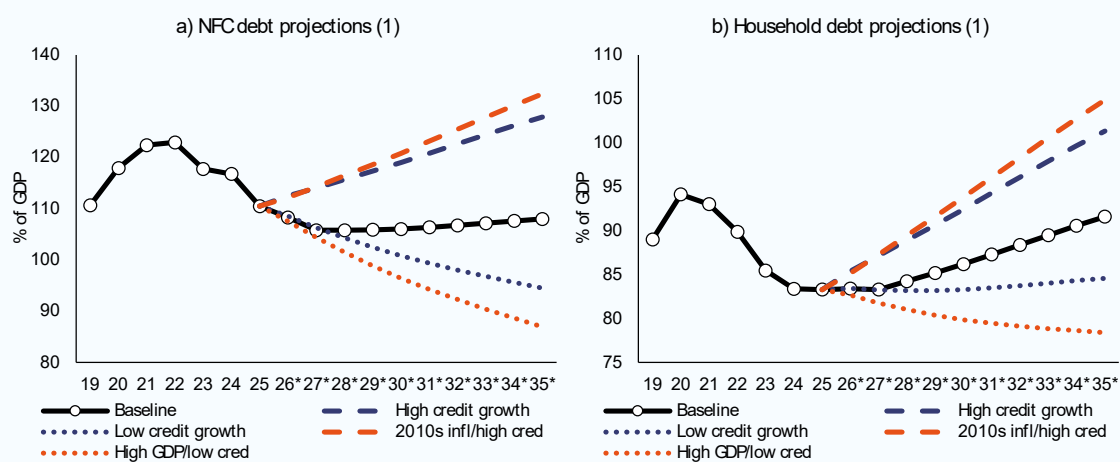
### Box 2.1: Medium-term household and non-financial corporate debt projections

This Box summarises household and non-financial corporate debt-to-GDP projections for Sweden over the next decade, based on scenario analysis. It covers diverse scenarios to take into account different underlying assumptions and to understand how they affect the debt trajectories.

**Under the baseline scenario, the corporate debt-to-GDP ratio is projected to continue declining until 2027, then rebound slightly while staying below its current level.** The baseline scenario takes the 2025 nowcast of 111% as a starting point, integrates Commission 2025 Autumn Forecast data for growth, inflation and credit flows for 2026-27, and assumes an average annual real GDP growth rate of 1.7%, an average annual inflation rate of 2.2%, and annual corporate credit flows of 4.4% of GDP (just above the debt-stabilising NFC credit-to-GDP of 4.1%) for the years 2028-35. In the baseline scenario, the NFC debt-to-GDP ratio is projected to fall by about 5 pps. until 2030, before rebounding slightly to 108% by 2035, remaining about 3 pps. below its 2025 level (Graph 1.a). Under an alternative scenario of high corporate credit flows over the entire projection horizon, this ratio would increase by about 17 pps., to 128% of GDP, which is higher than it was during the COVID-19 pandemic. If, in addition to high credit flows, annual inflation is assumed to be at the average of the 2010s, i.e., 0.5 pps. below the baseline, the NFC debt-to-GDP ratio would increase to about 132%.

**After several years of deleveraging, the household debt-to-GDP ratio is projected to start increasing again as of 2028.** The baseline scenario takes the 2025 nowcast of 83% as a starting point, integrates Commission 2025 Autumn Forecast data for growth, inflation and credit flows for 2026-27, and assumes an average real GDP growth rate of 1.7%, an average inflation rate of 2.2% and annual credit flows of 4.4% of GDP (solidly above the debt-stabilising credit-to-GDP ratio of 3.2%) for the years 2028–35. As a result, the household debt-to-GDP ratio would increase by about 8 pps. and reach 92% by 2035 (Graph 1.b). Under an alternative scenario of higher credit flows and average inflation rates equivalent to the 2010s, i.e., 0.5 pps. below the baseline, the household debt-to-GDP ratio would increase by over 22 pps. to reach 105% by 2035.

Graph 1: Corporate and household debt projections, based on scenario analysis for Sweden



(1) Both for the NFC and HH debt projections, the baseline assumes that after 2027 the annual credit flow-to-GDP ratio equals the country-specific median value over 2015-27. The high (low) credit scenario assumes a higher (lower) credit flow-to-GDP ratio, with the difference to the baseline calculated as half the intertertile range of the annual credit flow-to-GDP ratio over 2015-27. The high GDP growth scenario reflects a permanent 1 pp increase in GDP growth relative to the baseline scenario. The low inflation scenario reflects a change rate in the GDP deflator equal to the country-specific average change rate in the GDP deflator observed over the 2010s. The debt stabilising credit-to-GDP ratio refers to the credit ratio between 2028 and 2035 that would stabilise the debt-to-GDP ratio at its 2027 level.

Source: Eurostat, European Commission forecasts and calculations.

Table 2.1: Key economic and financial indicators, Sweden

|   | average<br>2017-2019 | average<br>2020-2022 | 2023         | 2024         | 2025*        | forecast     |              |
|---|----------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
|   |                      |                      |              |              |              | 2026         | 2027         |
| <b>Output and Prices</b>  |                      |                      |              |              |              |              |              |
| Real GDP (1 year % change)  | 2.1                  | 1.5                  | -0.2         | 1.0          | 1.5          | 2.6          | 2.3          |
| Real GDP per capita (1 year % change)   | 0.8                  | 0.7                  | -0.9         | 0.7          | 1.1          | 2.4          | 2.2          |
| GDP deflator (1 year % change)  | 2.4                  | 3.5                  | 5.8          | 3.0          | 1.2          | 1.4          | 2.2          |
| Harmonised index of consumer prices (1 year % change)                               | 1.9                  | 3.8                  | 5.9          | 2.0          | 2.6          | 0.6          | 1.6          |
| Core inflation (HICP excluding energy, food, alcohol and tobacco) (1 year % change) | 1.2                  | 2.6                  | 6.5          | 3.2          | 2.4          | 1.8          | 2.1          |
| <b>External position</b>  |                      |                      |              |              |              |              |              |
| <b>Current account balance, balance of payments (% GDP, 3y average)</b>             | <b>2.5</b>           | <b>5.1</b>           | <b>5.5</b>   | <b>5.7</b>   | <b>6.4</b>   | <b>6.1</b>   | <b>5.6</b>   |
| Current account balance, balance of payments (% of GDP)                             | 3.2                  | 5.3                  | 6.2          | 6.9          | 6.1          | 5.3          | 5.4          |
| of which: trade balance (% GDP)   | 2.8                  | 3.4                  | 3.1          | 3.8          | 3.1          |              |              |
| of which: income balance (% GDP)  | 0.4                  | 1.9                  | 3.1          | 3.1          | 3.0          |              |              |
| Current account norm (% of GDP) (1)   | 0.2                  | 0.6                  | 0.4          | 0.5          | 0.5          | 0.6          | 0.6          |
| Current account req. to reach fund. NIIP (% of GDP) (2)                             | -0.1                 | -0.4                 | -0.9         | -1.0         | 0.0          |              |              |
| <b>Net international investment position (% of GDP)</b>                             | <b>7.2</b>           | <b>24.0</b>          | <b>40.5</b>  | <b>67.6</b>  | <b>55.4</b>  | <b>55.9</b>  | <b>57.9</b>  |
| NENI - NIIP excluding non-defaultable instruments (% of GDP)                        | -11.7                | -4.3                 | -5.0         | 3.2          | 1.5          |              |              |
| Net lending-borrowing (% of GDP)  | 3.2                  | 5.3                  | 6.2          | 7.0          | 6.2          |              |              |
| <b>Competitiveness</b>  |                      |                      |              |              |              |              |              |
| <b>Nominal unit labour cost index per hour worked (3y % change)</b>                 | <b>7.1</b>           | <b>6.8</b>           | <b>11.8</b>  | <b>15.4</b>  | <b>10.5</b>  | <b>4.9</b>   | <b>3.5</b>   |
| Nominal unit labour cost index per hour worked (1 year % change)                    | 2.5                  | 2.6                  | 6.7          | 3.7          | -0.1         | 1.3          | 2.3          |
| <b>Real effective exchange rate - 42 trad. part., HICP defl. (3y % change)</b>      | <b>-5.9</b>          | <b>-1.4</b>          | <b>-7.5</b>  | <b>-9.7</b>  | <b>1.7</b>   | <b>5.2</b>   | <b>4.8</b>   |
| Real effective exchange rate - 42 trading partners, HICP deflator (1 year % change) | -2.8                 | -0.4                 | -3.4         | 0.5          | 4.8          | 1.8          | -0.6         |
| <b>Export performance against advanced economies (3y % change)</b>                  | <b>-3.3</b>          | <b>4.0</b>           | <b>-3.8</b>  | <b>-4.8</b>  | <b>5.2</b>   | <b>7.5</b>   | <b>6.2</b>   |
| Export performance against advanced economies (1 year % change)                     | -0.6                 | -0.4                 | 1.5          | 0.3          | 0.5          | 0.7          | 0.0          |
| Core inflation differential vis-à-vis the euro area (pps.)                          | 0.2                  | 0.6                  | 1.6          | 0.4          | 0.0          | -0.3         | 0.1          |
| <b>Corporations</b>   |                      |                      |              |              |              |              |              |
| <b>Non-financial corporate (NFCs) debt, consolidated (% of GDP)</b>                 | <b>111.3</b>         | <b>121.1</b>         | <b>117.8</b> | <b>116.8</b> | <b>110.5</b> | <b>108.3</b> | <b>105.8</b> |
| NFC (excl. FDI) credit flow, cons. (% debt stock t-1, excl. FDI)                    | 6.8                  | 6.7                  | -0.1         | -0.3         | 2.7          | 2.0          | 2.5          |
| <b>Households and housing market</b>  |                      |                      |              |              |              |              |              |
| <b>Household debt, consolidated (% of GDP)</b>                                      | <b>88.7</b>          | <b>92.3</b>          | <b>85.5</b>  | <b>83.4</b>  | <b>83.3</b>  | <b>83.4</b>  | <b>83.3</b>  |
| Household debt, consolidated (% of GDI)   | 127.0                | 133.0                | 123.1        | 120.6        | 119.8        |              |              |
| <b>Household credit flow, consolidated (% debt stock t-1)</b>                       | <b>5.7</b>           | <b>5.5</b>           | <b>0.6</b>   | <b>1.6</b>   | <b>2.9</b>   | <b>3.7</b>   | <b>4.3</b>   |
| <b>House price index, nominal (1 year % change)</b>                                 | <b>2.7</b>           | <b>5.9</b>           | <b>-5.2</b>  | <b>0.0</b>   | <b>1.0</b>   | <b>6.0</b>   | <b>4.0</b>   |
| House prices over/undervaluation gap (3)  | 33.2                 | 38.5                 | 27.5         | 22.1         | 17.7         |              |              |
| Standardised price-to-income ratio  | 119.6                | 124.5                | 111.6        | 108.1        | 108.0        |              |              |
| Building permits (m <sup>2</sup> per 1000 inh)                                      | 711.9                | 757.4                | 330.2        | 329.2        | 365.4        |              |              |
| <b>Government</b>   |                      |                      |              |              |              |              |              |
| <b>General government gross debt (% of GDP)</b>                                     | <b>39.4</b>          | <b>37.2</b>          | <b>32.0</b>  | <b>34.0</b>  | <b>34.5</b>  | <b>35.3</b>  | <b>35.8</b>  |
| General government balance (% of GDP)   | 0.8                  | -0.8                 | -0.9         | -1.6         | -1.7         | -2.4         | -2.0         |
| <b>Banking sector</b>   |                      |                      |              |              |              |              |              |
| Return on equity of banks (%)   | 11.3                 | 9.4                  | 13.1         | 12.6         |              |              |              |
| Tier-1 capital ratio banking sector (% risk-weighted assets)                        | 20.4                 | 20.4                 | 20.4         | 20.7         |              |              |              |
| Gross non-performing loans, domestic and foreign entities (% gross loans)           | 1.1                  | 0.9                  | 1.0          | 1.1          | 1.1          |              |              |
| Cost of borrowing for households for house purchase (%), new loans                  | 1.5                  | 1.8                  | 4.4          | 4.2          | 2.9          |              |              |
| Cost of borrowing for NFCs (%), new loans   | 1.1                  | 1.8                  | 5.1          | 4.8          | 3.6          |              |              |
| <b>Labour market</b>  |                      |                      |              |              |              |              |              |
| <b>Unemployment rate (% labour force Y15-74)</b>                                    | <b>6.7</b>           | <b>8.3</b>           | <b>7.7</b>   | <b>8.4</b>   | <b>8.8</b>   | <b>8.4</b>   | <b>7.9</b>   |
| <b>Labour force participation rate - % pop. aged 15-64 (3y change in pp)</b>        | <b>0.9</b>           | <b>0.2</b>           | <b>1.9</b>   | <b>1.2</b>   | <b>0.7</b>   |              |              |

\*If actual data were unavailable at the cut-off date, forecast or nowcast data are presented instead

(1) Current accounts in line with fundamentals (current account norms): derived from reduced form regressions capturing the main determinants of the saving-investment balance, including fundamental determinants, policy factors and global financial conditions. See Coutinho, Turini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission

(2) Current account required for a specific NIIP target: calculations make use of Commission's T+10 projections. See Coutinho, Turini, and Zeugner (2018), "Methodologies for the Assessment of Current Account Benchmarks", European Economy, Discussion Paper 86, DG ECFIN, European Commission

(3) House prices over/undervaluation gap: is the simple average of the price-to-income, price-to-rent and model valuation gaps. The model valuation gap is estimated in a cointegration framework using a system of five fundamental variables: total population, real housing stock, real disposable income per capita, real long-term interest rate and price deflator of final consumption expenditure. Based on Philipponnet and Turini (2017), "Assessing House Price Developments in the EU", European Economy, Discussion Papers 48, DG ECFIN, European Commission

**Source:** Eurostat and ECB; European Commission for forecast figures (Autumn Forecast 2025).