

The Swedish banking market 2021

Nordic Credit Rating (NCR) applies a score of 'bbb+' for the Swedish banking market and expects an economic upswing in 2021 led by external demand for Swedish exports and the eventual rebound in services and tourism during the third quarter of 2021. Our expectations of the economic environment are dependent on a large proportion of the population being vaccinated by the summer and the subsequent lifting of restrictions on travel and the service sector. As the rebound takes effect, we believe unemployment will fall quickly, especially among younger adults, who have been disproportionately affected by the loss of service and seasonal work.

Despite material government support provided during the pandemic, Sweden's creditworthiness remains strong, which bolsters our assessment. Housing prices increased by 11.5% in 2020, with significant growth from May to November before the second wave of the pandemic slowed activity in December. NCR believes that the pace of housing price growth in 2021 will be more in line with the long-term 6% growth rate.

"NCR believes that the Swedish banking market has demonstrated its resilience during 2020 allowing banks to improve capital buffers and provide credit to corporations and private individuals," says Sean Cotten, analyst at Nordic Credit Rating. "We expect somewhat higher realised credit losses during 2021, but expect banks to continue to perform well as the economy normalises in the second half of the year."

The banking market score is a component of NCR's issuer ratings for financial institutions. Depending on the nature of the rated entity's exposure and geographic profile, the score can affect up to 20% of an issuer's overall credit rating.

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About Us

Nordic Credit Rating AS is a credit rating agency headquartered in Oslo with a branch in Stockholm. The company provides credit ratings to companies and financial institutions in the Nordic region, and bases its analysis on local insights. Nordic Credit Rating is registered with the European Securities and Markets Authority (ESMA).

Attachments

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