FX Comment

Financial savings exceptionally high – Household pivot could boost SEK

- Financial saving rate at record high
- Weak consumption and high savings have weighed on the krona
- Upcoming autumn budget to the rescue
- Non-linear SEK appreciation ahead

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Exceptionally high financial saving rate

In 2024, Swedish households' net financial transaction saving rate reached 23.8% of disposable income – the highest level in the available data and among the highest internationally, according to the OECD. This sharp increase suggests households are allocating an unusually large share of their after-tax income to net savings, either by accumulating financial assets or reducing debt.

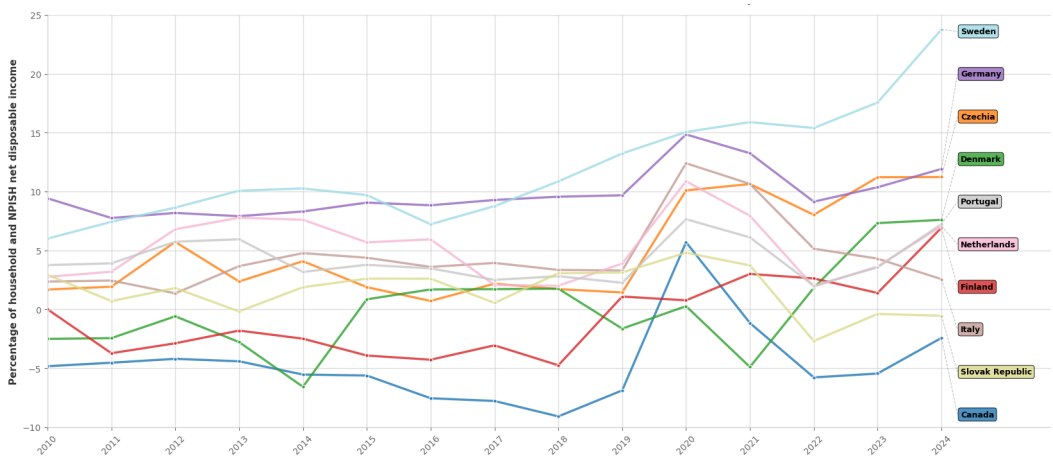
Swedish households' net financial transaction saving rate reached 23.8% of disposable income in 2024 - the highest level in the available series

Such a surge typically reflects a combination of strong incomes, subdued consumption, and heightened precautionary saving amid economic uncertainty. While this strengthens household balance sheets, it also signals weaker domestic demand – a challenge for the Riksbank and a key factor behind lower interest rates.

From an international perspective, this behaviour is striking, both in terms of the level of accumulation and the pace of change in net savings. The 23.8% financial transaction saving rate in Sweden compares with 12% in Germany, reflecting roughly 10 percentage points more in asset accumulation. Notably, Swedish households have been reducing debt in recent years, contributing to this divergence. However, this pattern is not fully captured in traditional saving rate metrics, which focus on income minus consumption. Looking ahead, some debt accumulation combined with a gradual recovery in consumption will be essential to rebalance the current environment of high savings, stagnant house prices, and muted domestic activity.

We previously highlighted the rapid rise in household financial savings in our February FX Pilot. At that time, we argued for a stronger SEK, although developments have not fully matched that scenario. That said, we maintain our longer-term constructive outlook on the SEK but expect a more gradual shift toward lower savings and stronger consumption growth.

Financial savings rate OECD (Sweden: 23.8%)



Sweden has the highest savings rate

Sources: OECD and Handelsbanken
Note: Net financial transactions of household and NPISH, % disposable income

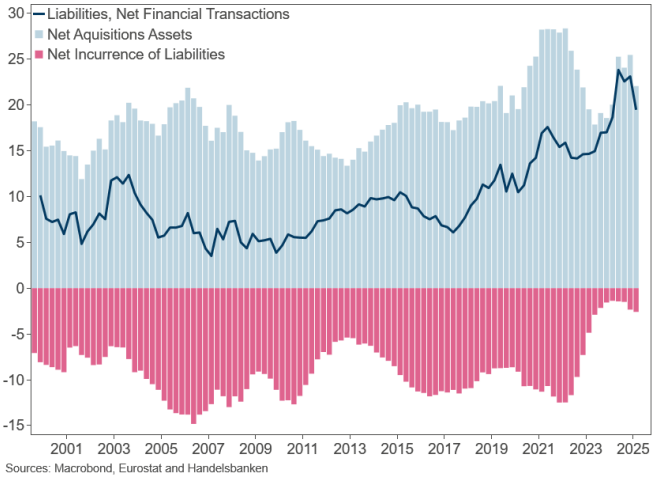
Tentative signs of recovery – less pessimistic outlook ahead

As mentioned in the previous section, financial savings have been rising steadily over the past decade, driven by earlier pension reforms and the digitalisation of saving platforms (notably Avanza). This trend is also visible in the national accounts, where the net acquisition of financial assets has been increasing, supported by data from the Swedish Investment Fund Association (see previous FX comments). Since the Trump-related bond market turmoil in April, there has been a notable re-allocation from North American and global equity funds toward domestic and defensive markets, which has helped stabilise the krona from its record-weak levels at the end of 2024. More recent data from the Swedish Investment Fund Association suggests a healthier fund composition, which could reduce SEK selling pressure going forward.

While asset accumulation is likely to continue (see graph), the equity savings trend is not net SEK-positive. Since 2023, households have continued to increase asset holdings while taking on fewer liabilities (e.g. house purchases), which has weighed on domestic activity and housing prices, while also contributing to weaker interest rates and a softer krona.

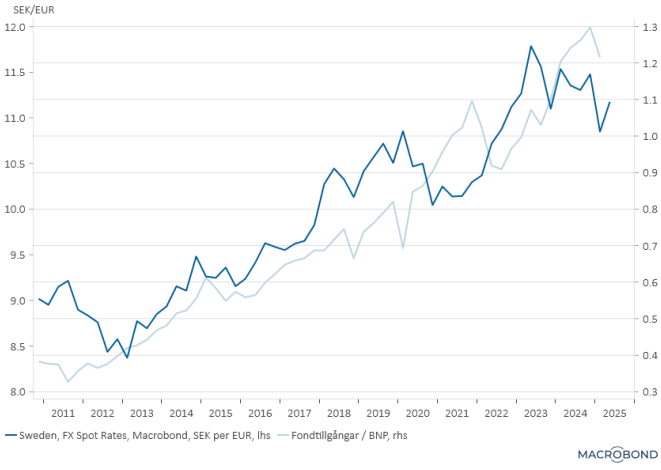
Looking ahead, we expect households to balance risk more effectively as uncertainty around Trump and tariffs gradually fades. This should translate into stronger relative consumption growth, among other factors. Swedish households' financial assets have now reached around 1.3x GDP, compared with roughly 1.0x just five years ago. Continued accumulation of financial assets and further foreign allocations would likely keep some downward pressure on the krona – although this is not our base case – with a larger tilt towards other assets in the medium term.

Net financial transaction (% disposal income)



Sources: Macrobond, Eurostat and Handelsbanken

Fund assets/GDP



Source: Macrobond

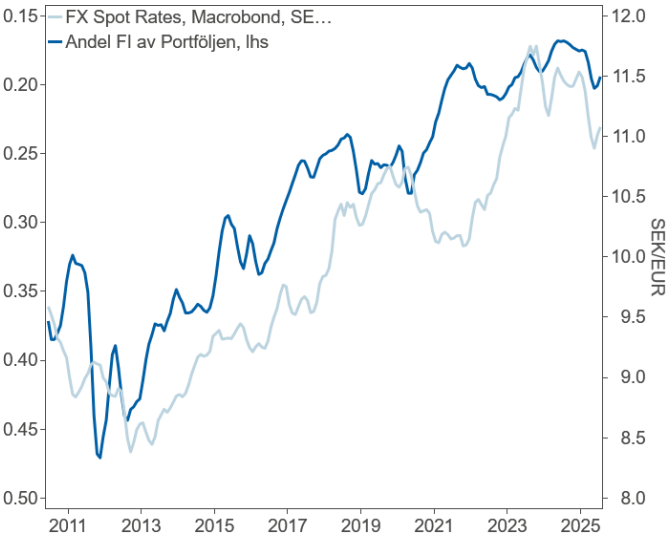
Ready, steady... consume!

All things considered, shifts in household behaviour rarely happen overnight, particularly when factoring in recent fund rotations from the US to domestic markets, which reversed relatively quickly after the US bond market turmoil. Even so, the counter-reaction has reduced overall exposure to US markets and renewed focus on currency and concentration risks. As of now, the share of fixed-income assets in fund portfolios (LHS graph) has declined to new lows of around 20%, as equity holdings have increasingly crowded out fixed income and reduced domestic investment exposure. In the medium term, a reduction in equity exposure moving towards fixed income will play a role among the demographic trend going forward. As discussed in previous FX comments and FX Pilots, fixed-income investments are more often hedged than equities and therefore tend to offset some of the currency effects of equity-heavy portfolios.

What is the trigger we are looking for? Our best guess would be a boost from the upcoming autumn budget

Currently, financial flows appear more balanced, and EUR/SEK volatility has been easing. What could act as a catalyst? Our best guess is the upcoming autumn budget, where Finance Minister Elisabeth Svantesson has signalled room for relatively large unfunded spending measures. We expect a package of at least SEK 60bn, with roughly half directed toward households. One side of the budget is likely to include relief through tax cuts or other support to boost real wages and spending power, supporting consumption patterns. An extended ROT deduction (tax break for renovation and home improvements) combined with additional measures could help improve the currently weak consumption trend (RHS graph).

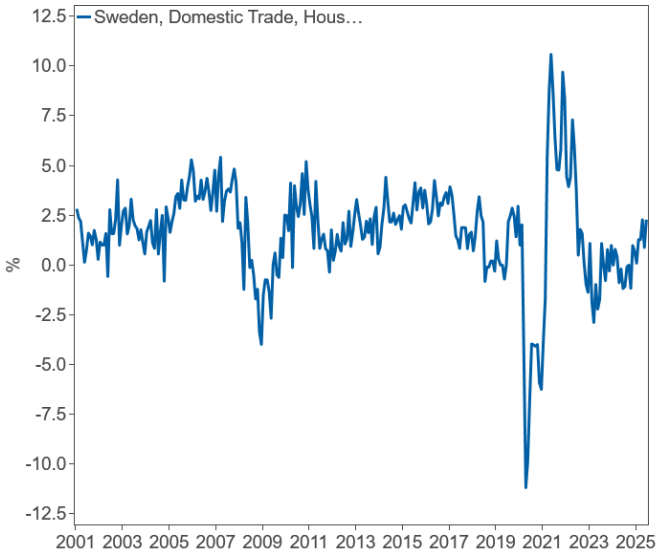
Share of fixed income



Sources: Macrobond, Swedish Investment Fund Association (Fondbolagens Förening), Macrobond Financial AB and Handelsbanken

Sources: The Swedish Investment Fund Association and Handelsbanken

Household consumption y-o-y (%)



Sources: Macrobond, Statistics Sweden (SCB) and Handelsbanken

Sources: Macrobond, Statistics Sweden and Handelsbanken

EUR/SEK could dip below 11 in the near term

Consumption and the share of fixed income portfolio to explain the future for the EUR/SEK

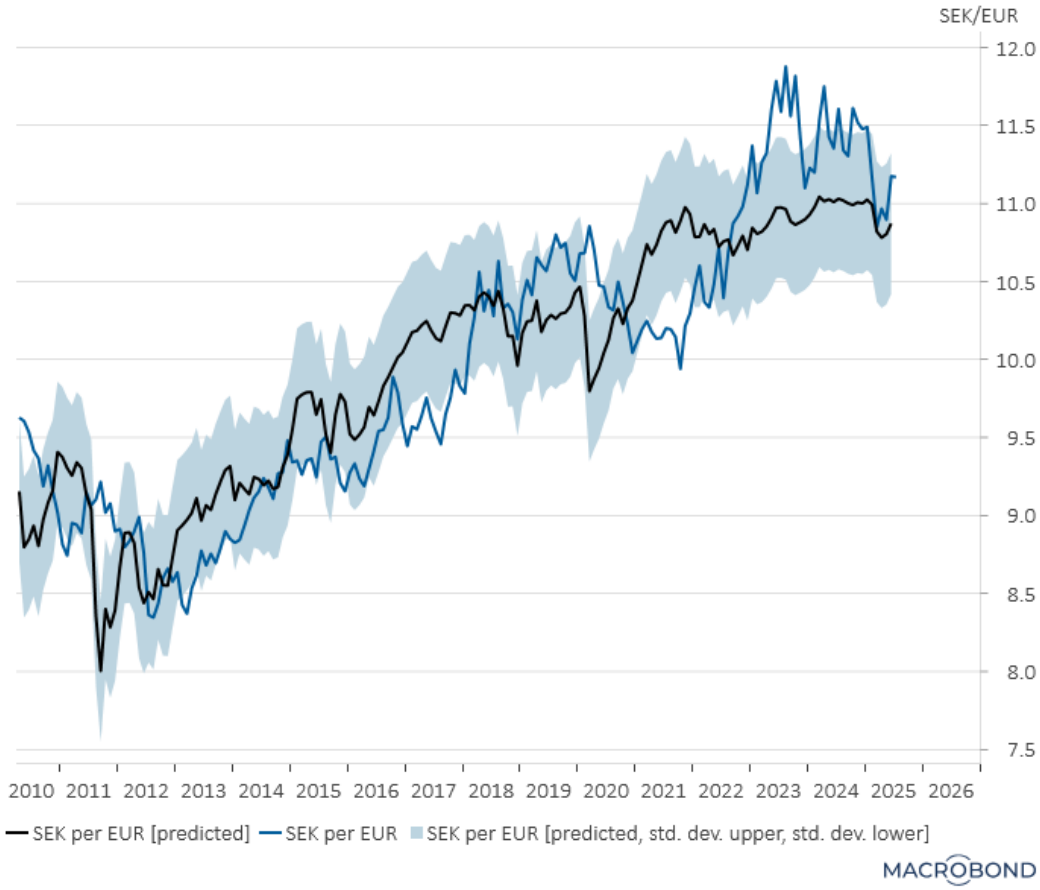
The mix of factors in play over the coming weeks will be critical for any SEK positioning. While financial markets often assume a linear path, the “known unknowns” – consumption, trade, and savings – can shift more abruptly than previously observed. A good example is the sharp move in the USD/SEK, which ultimately resulted in lower volatility. In the current low-volatility environment, the base case for the EUR/SEK is a gradual appreciation of the krona. However, behavioural shifts could lead to a faster response than currently priced in (three-month implied volatility at 5.6%).

To keep the analysis straightforward, we use a two-factor model focusing on consumption and the share of fixed-income holdings in portfolios to explain EUR/SEK dynamics. This approach has been effective in capturing regime shifts and provides solid explanatory power (R^2 = 0.76). Looking ahead, the model already points toward a stronger krona, and any boost to consumption could push the EUR/SEK below 11 in the relatively near term.

In a low-volatility setting, a long-volatility strategy can also be attractive. A gradual approach suggests using longer-dated instruments, where volatility is likely to remain contained but potentially SEK-positive.

OMX bonus material – If current assumptions prove to be correct, a pickup in sectors like Household Goods & Home Construction is likely to benefit the krona.

Consumption and portfolio flows – EURSEK



A rise in consumption to boost SEK

Sources: Macrobond and Handelsbanken

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