



EUR

Regional Economic Outlook

Macroprudential Policies and House Prices
in Europe

November 2018



Key Messages

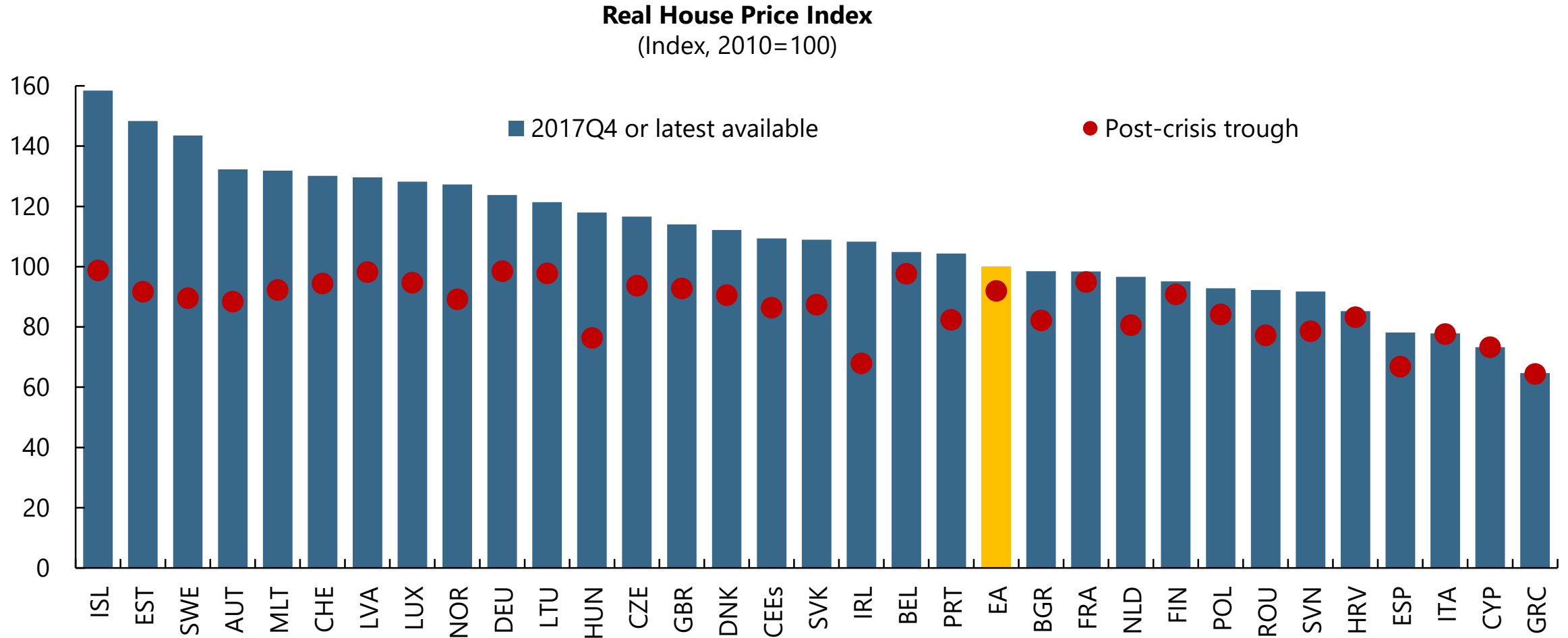
Borrower-side macroprudential measures (MaPPs), supported by lender-based MaPPs, helped limit riskier mortgages

- The impact of MaPPs on house prices and household credit growth was mixed

- The application of MaPPs needs be broadened to avoid circumvention

- Supplementing MaPPs with other policies could improve their effectiveness

Reacceleration in house prices

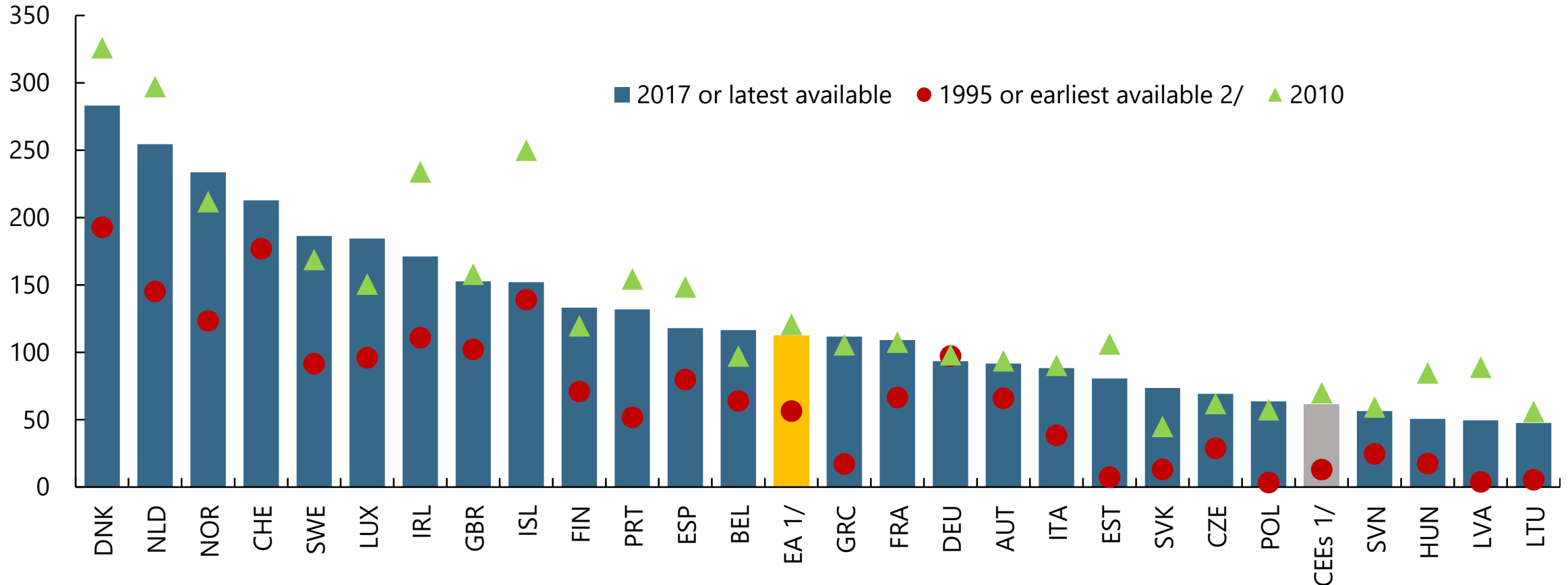


Sources: Authorities, Haver Analytics, OECD and IMF staff calculations.

Rising household debt

Household Debt

(Percent of household net disposable income)



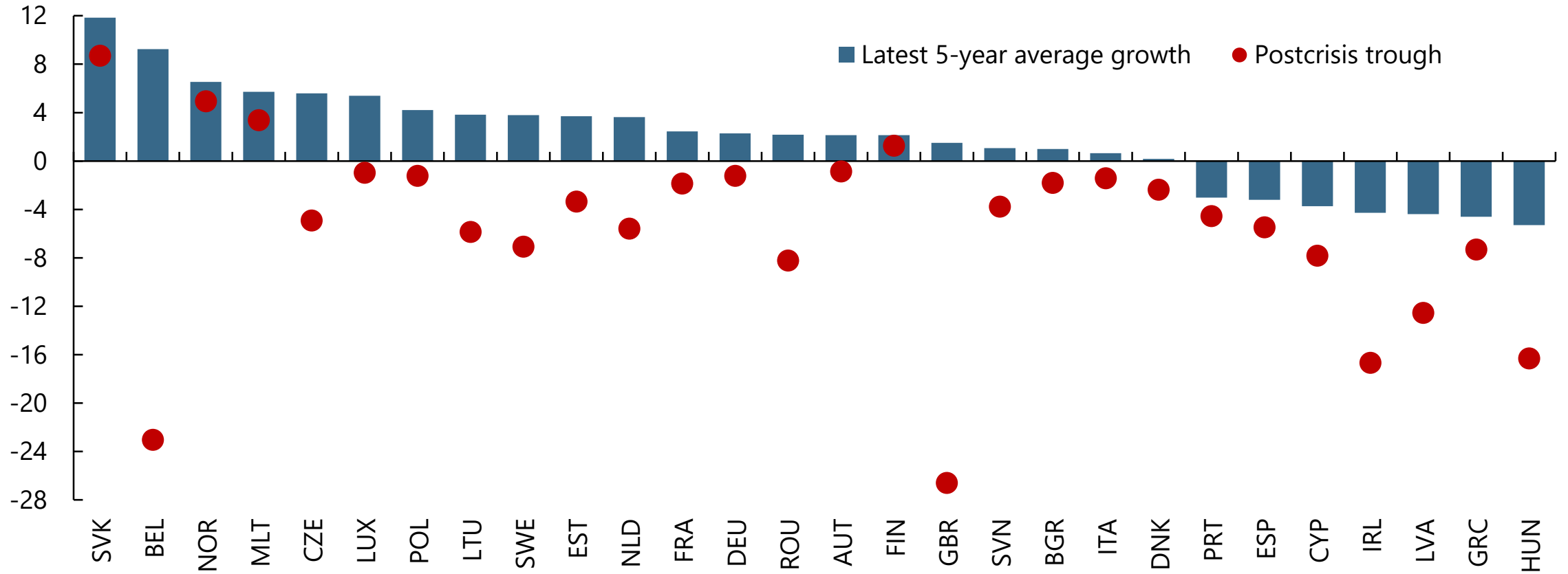
Sources: Authorities, Haver Analytics, OECD and IMF staff calculations.

1/ Due to data availability, CYP and MLT are excluded for EA average, and BGR, HRV, and ROU are excluded for CEE.

2/ Earliest available dates: IRL: 2001; LUX: 1999; ESP:1999.

Rising Credit Growth

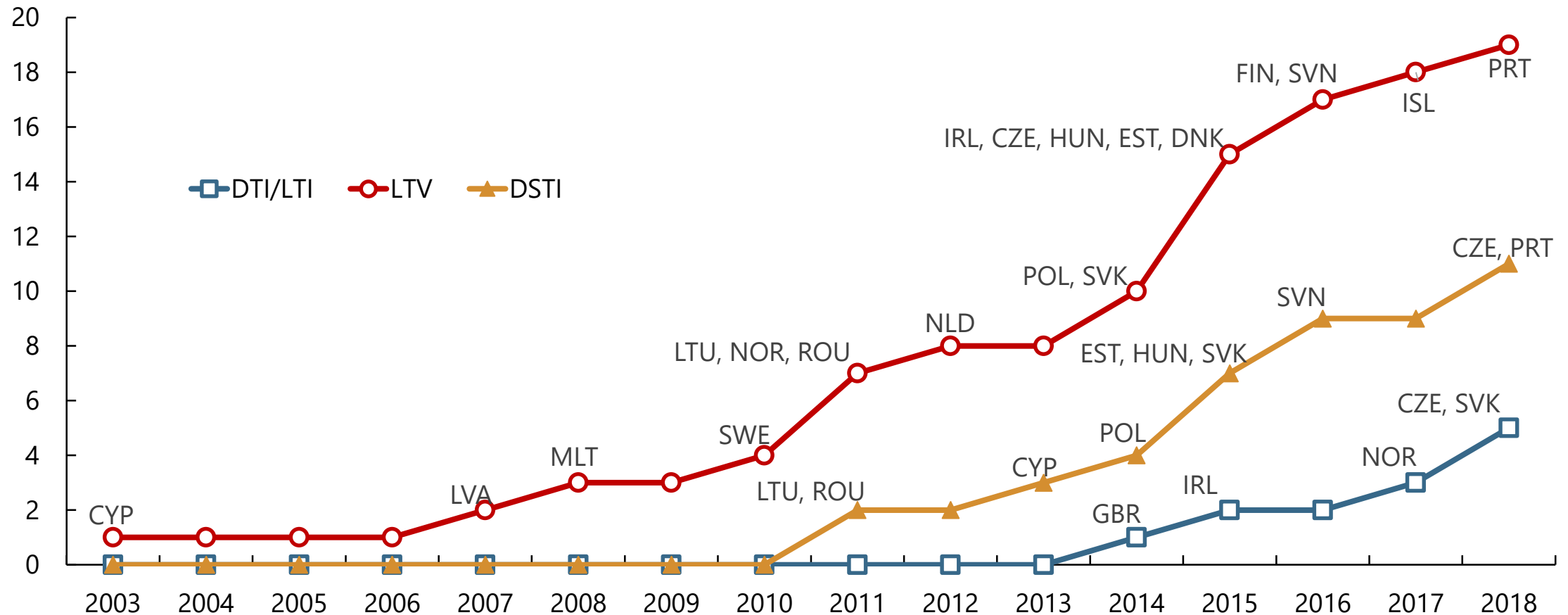
Household Credit Growth
(Y-o-y percent change)



Sources: Eurostat; and Haver Analytics.

Increasing use of MaPPs in recent years; LTVs most used

Use of LTV and DTI
(Number of countries)

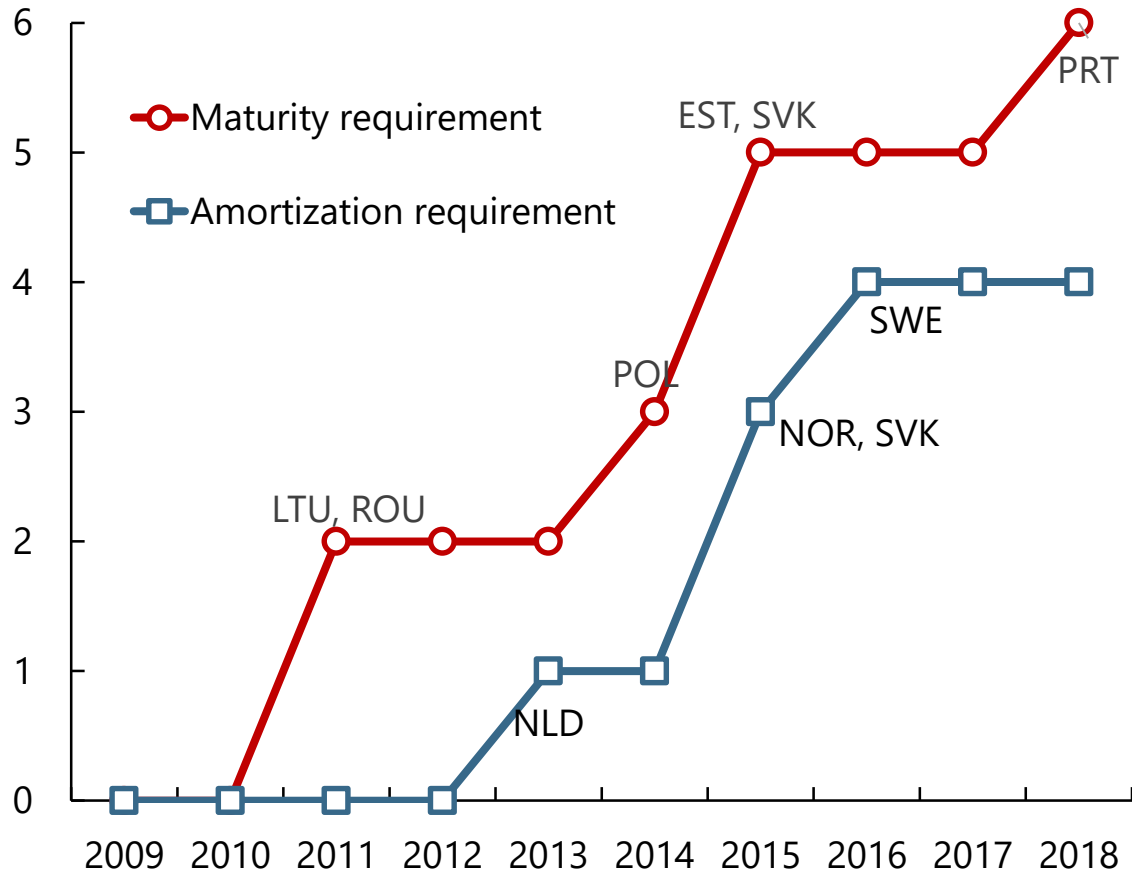


Sources: ESRB; and IMF staff calculations.

Increasing use of MaPPs in recent years

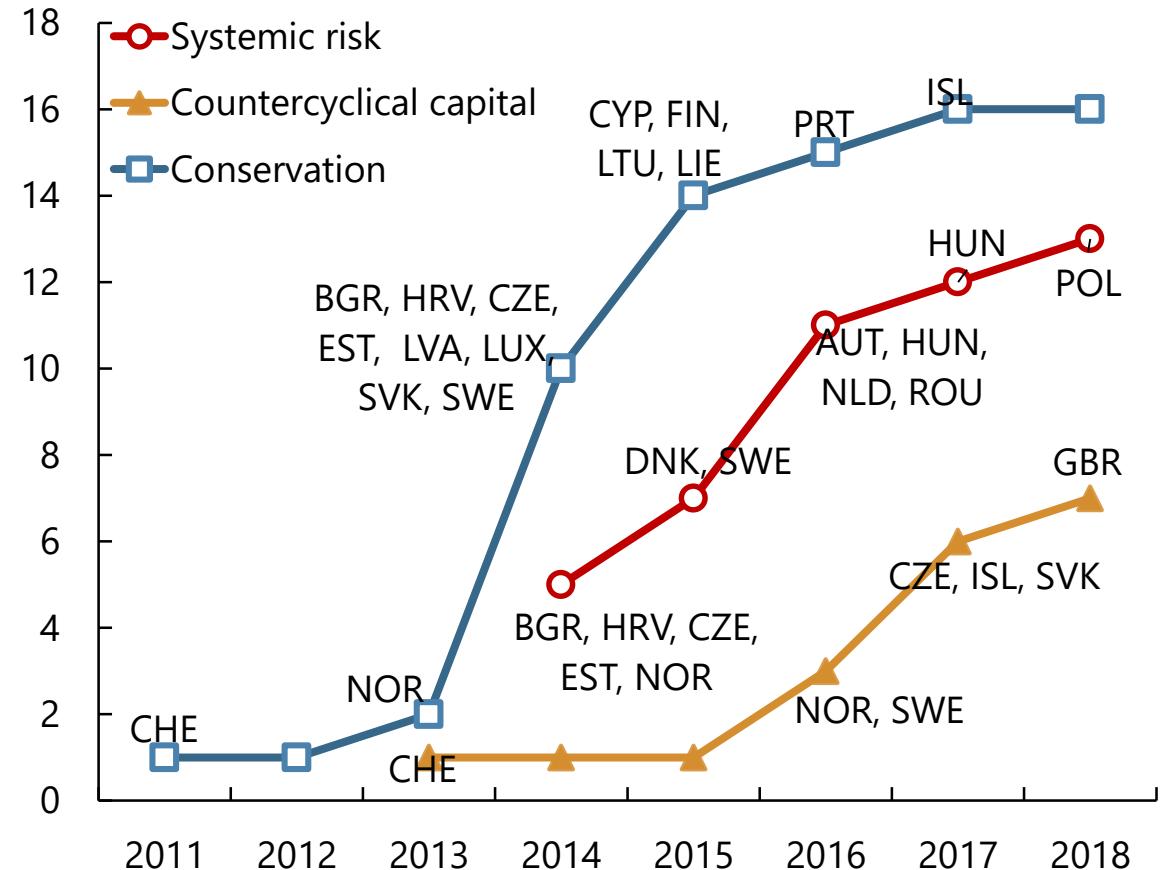
Use of Loan Amortization and Maturity Requirement

(Number of countries)



Use of Capital Buffers 1/

(Number of countries)

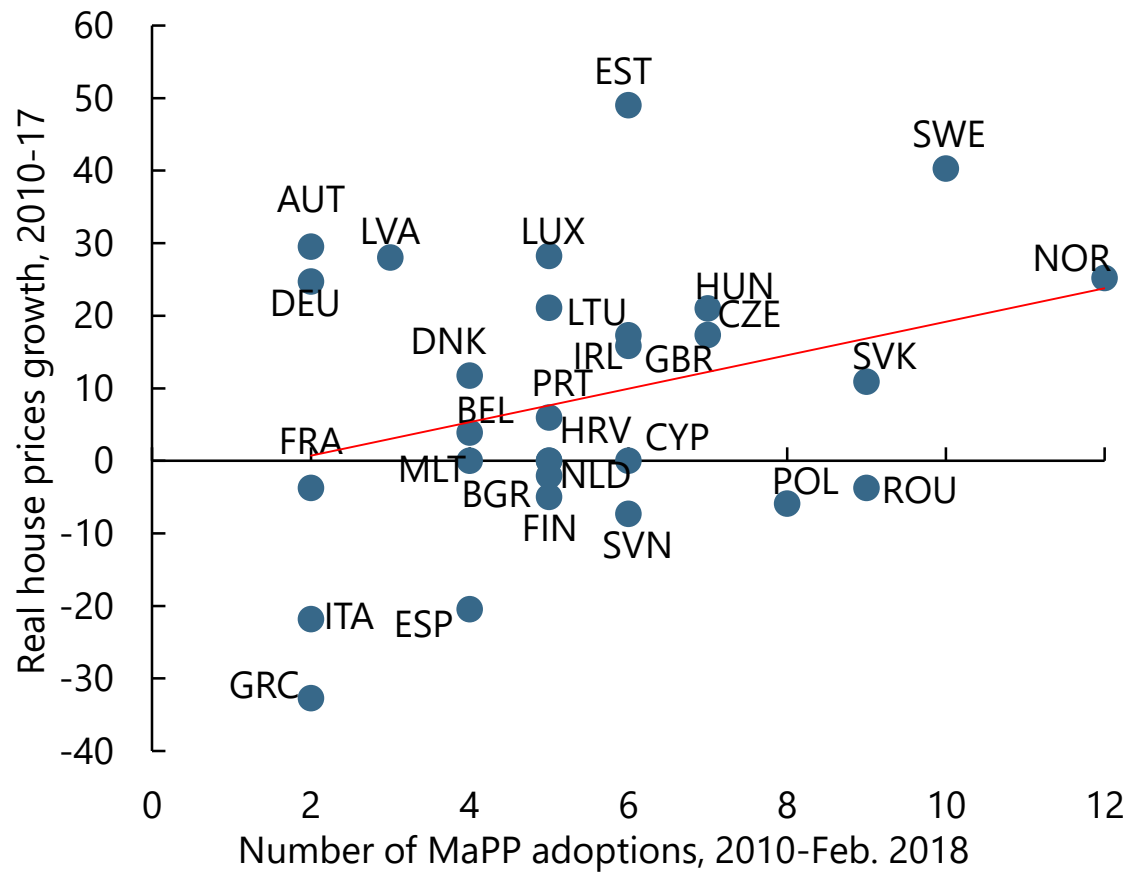


Sources: ESRB; and IMF staff calculations.

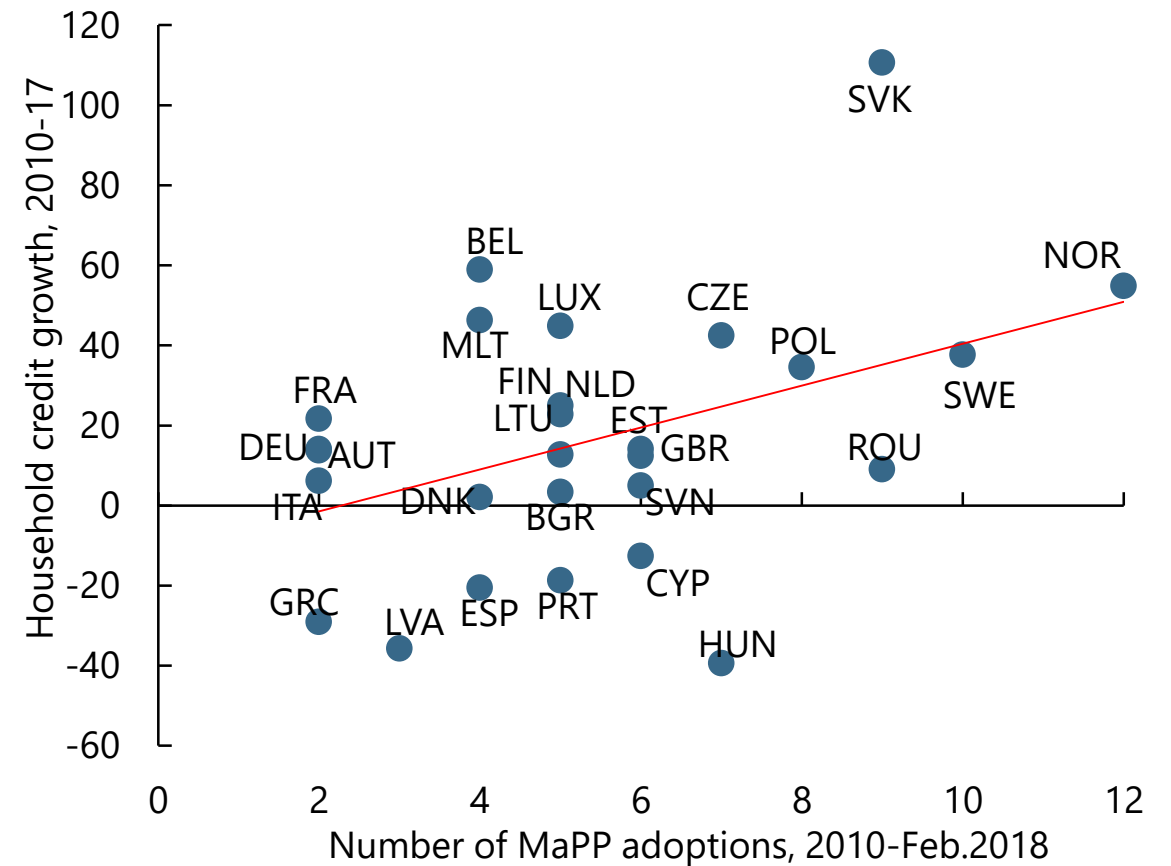
1/ countries with full implementation of capital conservation buffer of 2.5% is shown in the chart. The rest have adopted the measure which is gradually phasing in. All countries have adopted countercyclical buffers, but only the shown countries have adopted non-zero buffers. Finland adopted SRB in June 2017 but it is only to be activated in July 2019.

Countries with larger post-GFC increases in house prices and household credit have adopted more MaPPs

Number of Measures and Change in House Prices 1/



Number of Measures and Change in Household Credit 1/



Sources: ESRB; Eurostat; Haver Analytics; OECD; and IMF staff calculations.

1/Comparability of number of policies implemented across countries might not be possible in all cases since some countries implement MaPP as packages, e.g. Denmark.

Impact Assessment

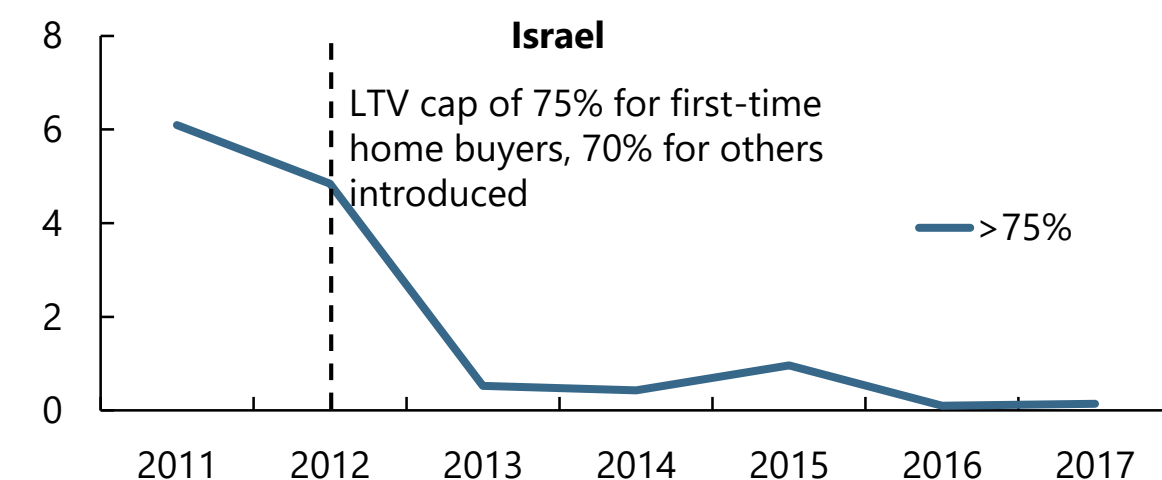
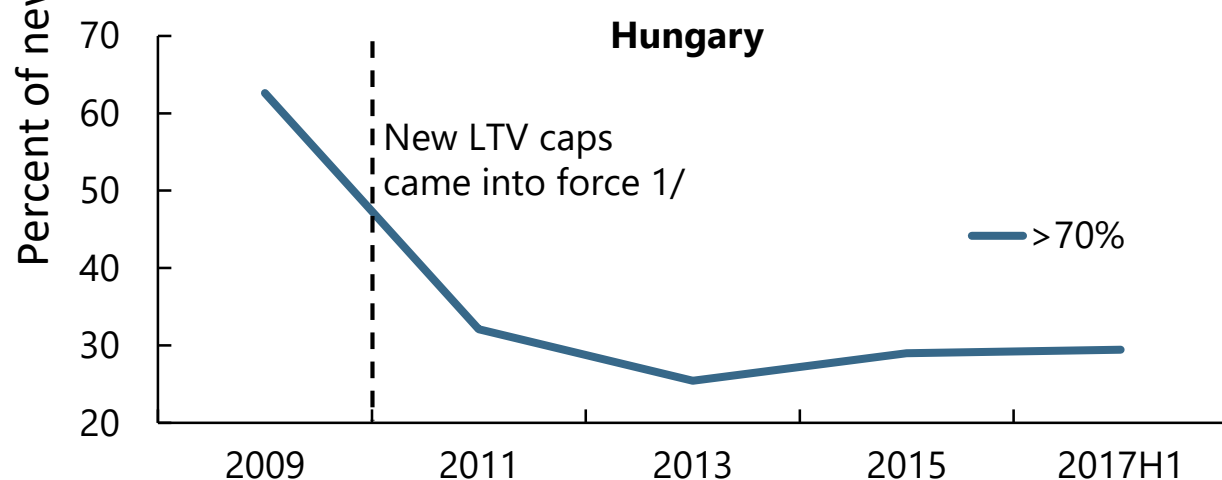
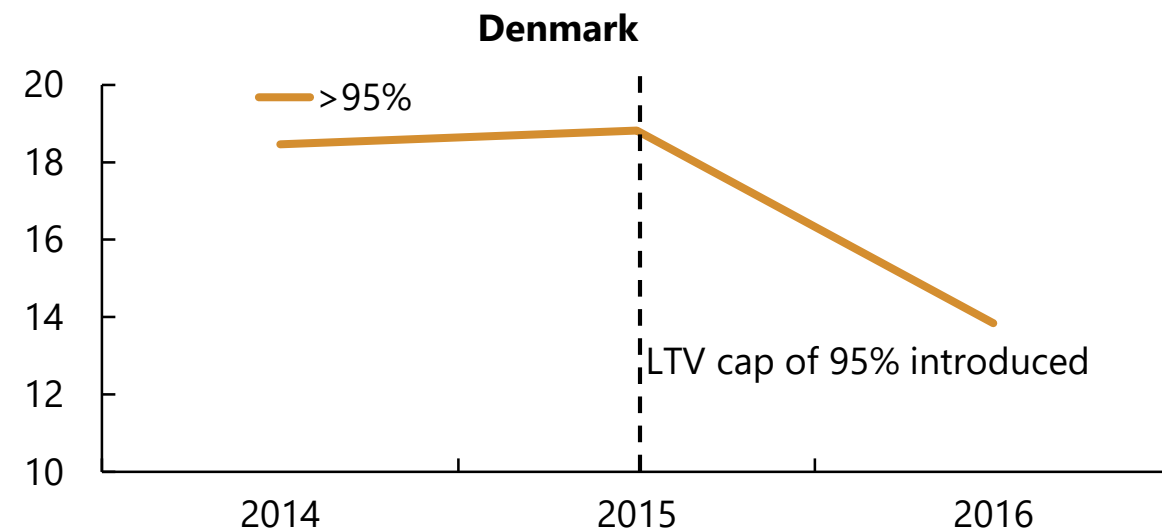
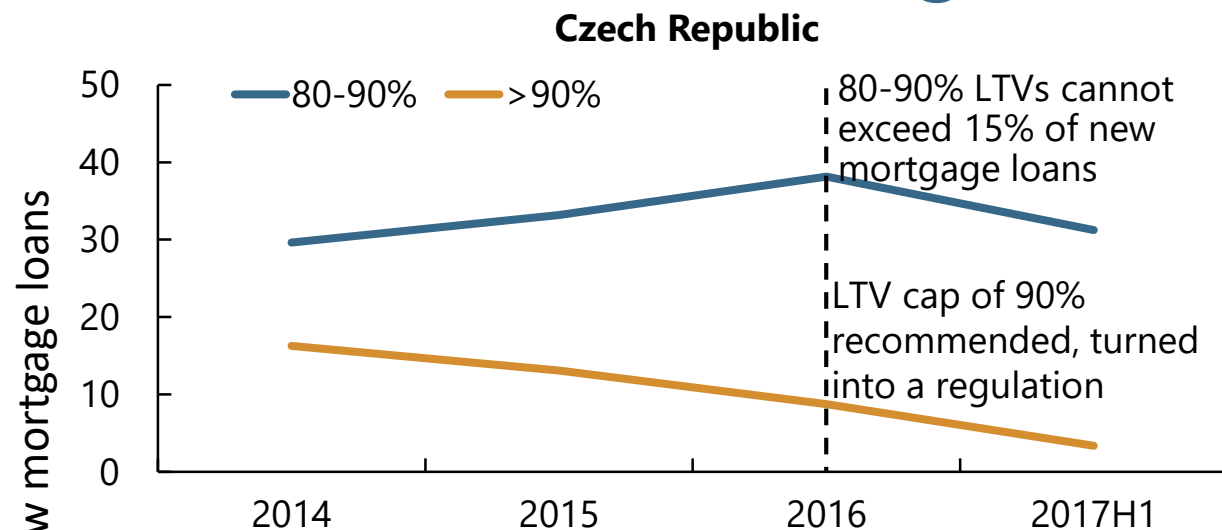


On riskier mortgages



On house price and household credit growth

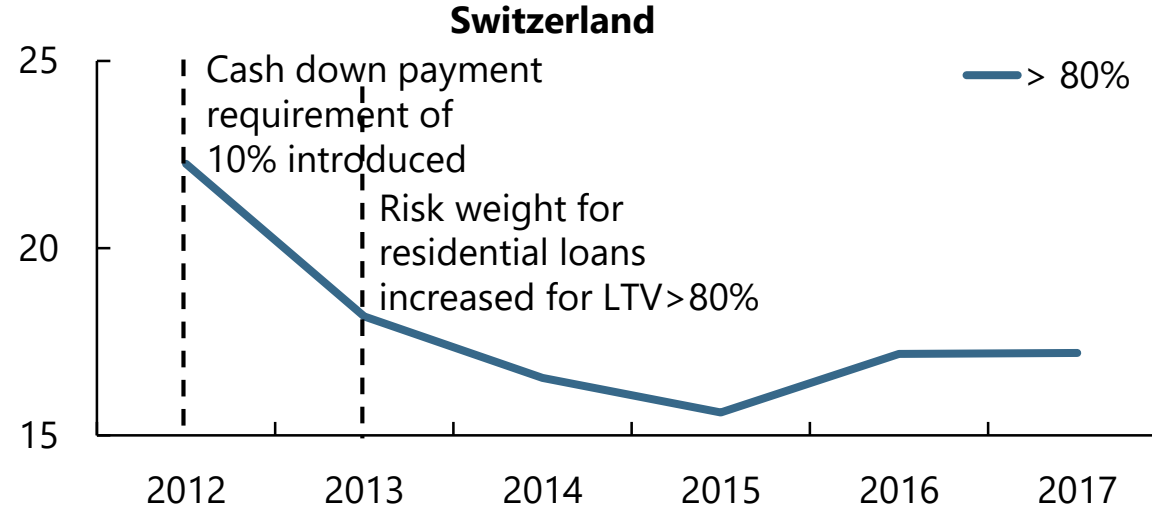
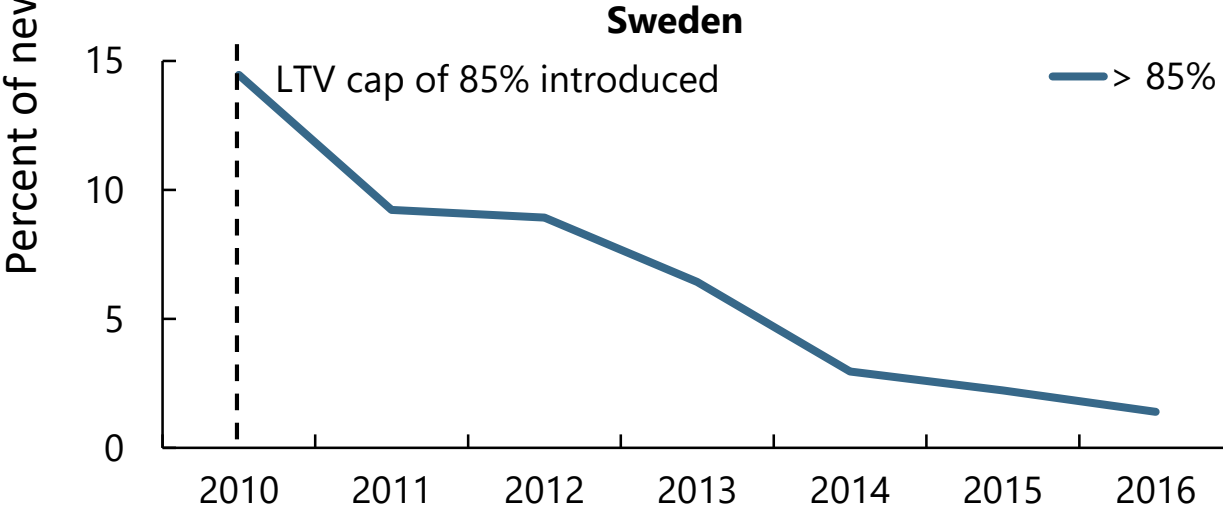
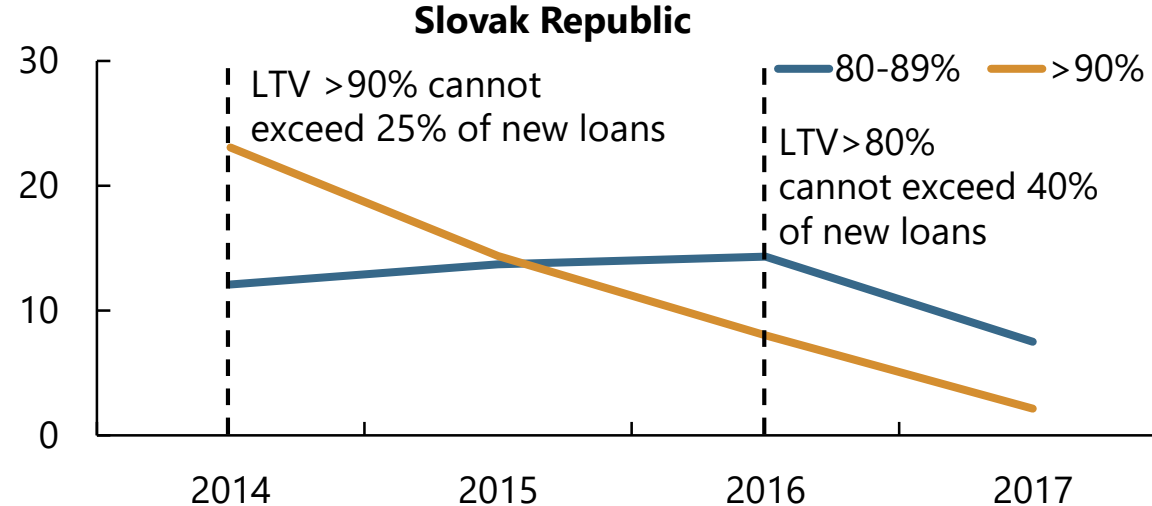
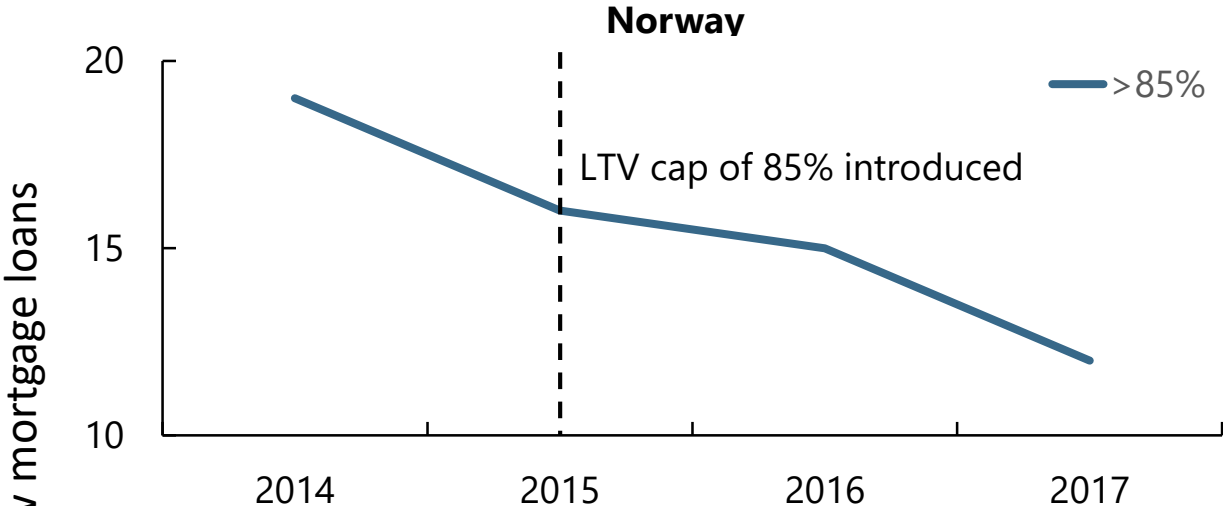
After limits on LTV ratios were imposed, the share of mortgage loans with LTVs exceeding these limits has decreased



Sources: Bank of Israel, Central Bank of Hungary, Czech National Bank, Denmark's Nationalbank.

1/ Effective March 2010, the following maximum LTV ratios came into force: 75% for retail mortgages in domestic currency, 60% for euros and 45% for other currencies. The ratios were 5 percentage points higher on loans for residential leasing. The LTV caps on retail mortgage loans have since been adjusted to, respectively 80%, 50% and 35%.

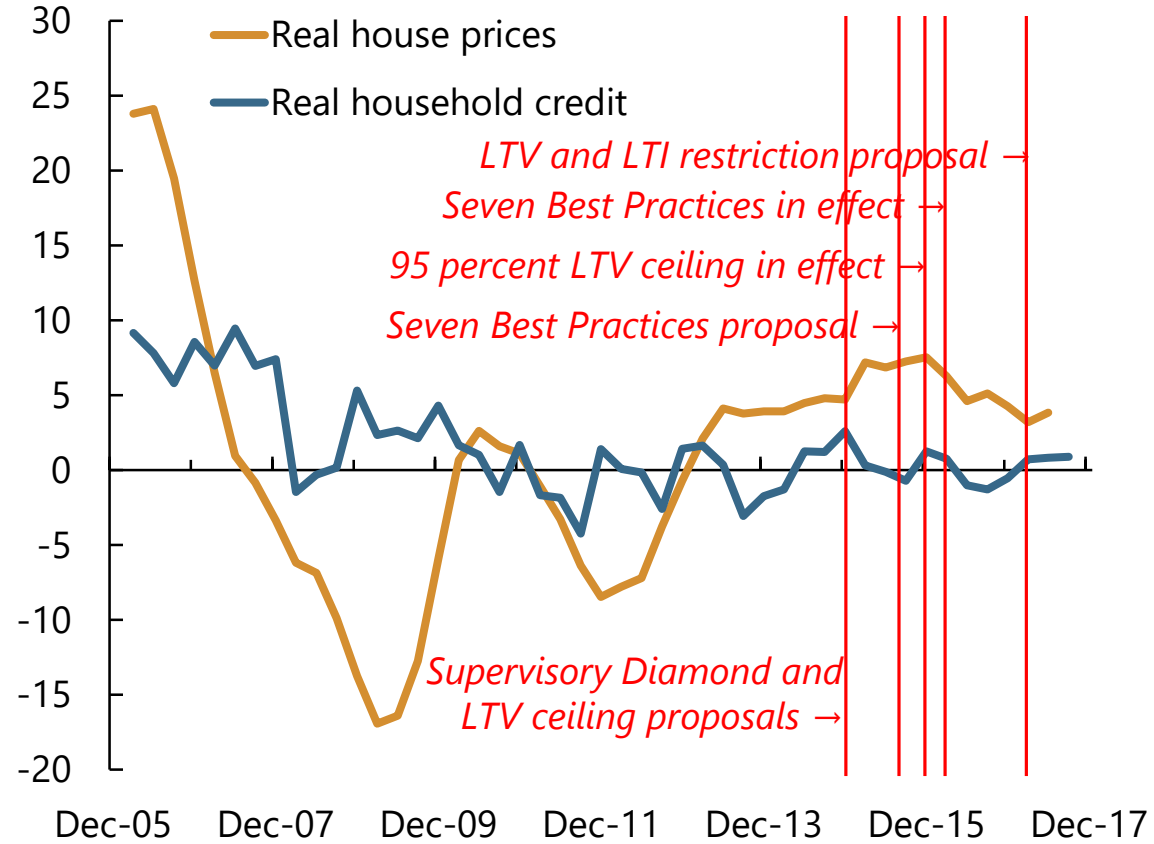
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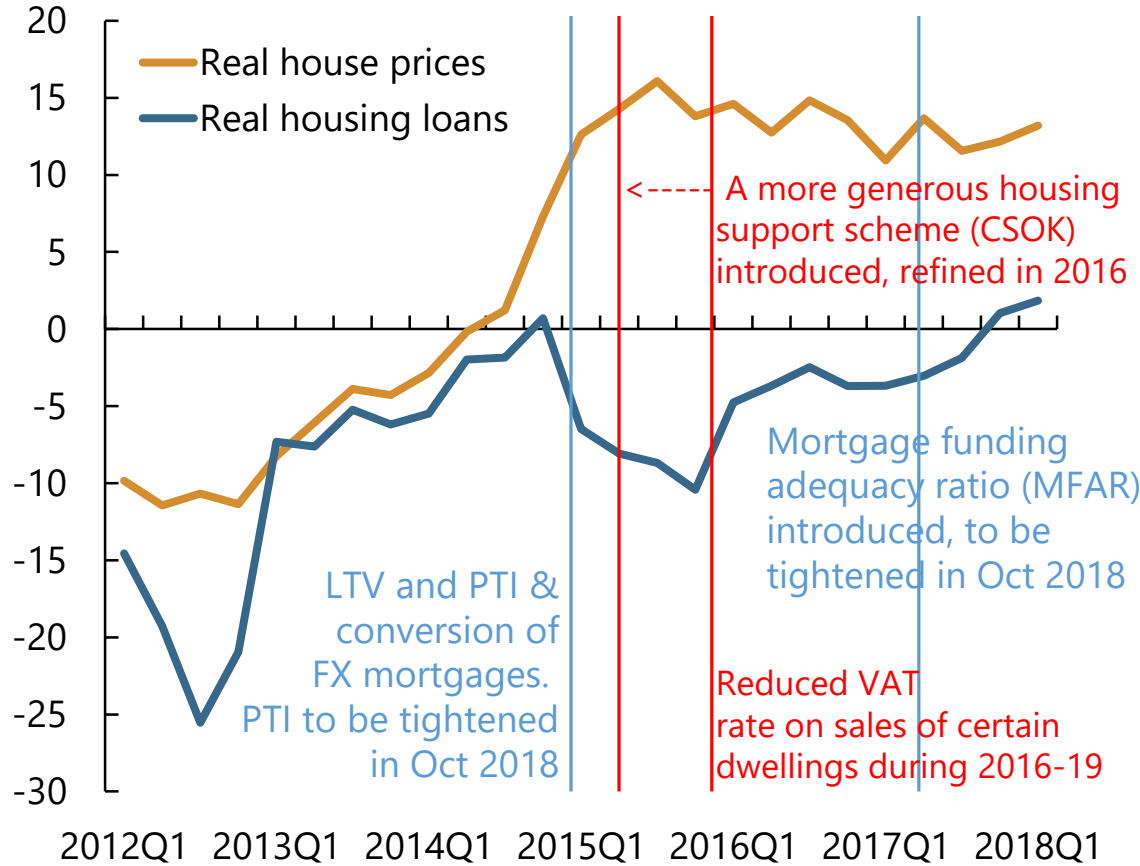
Sources: Finansinspektionen, National Bank of Slovakia, the Norwegian FSA, Swiss National Bank.

The impact on house prices and household credit growth was mixed

Denmark
(Y-o-y percent change)



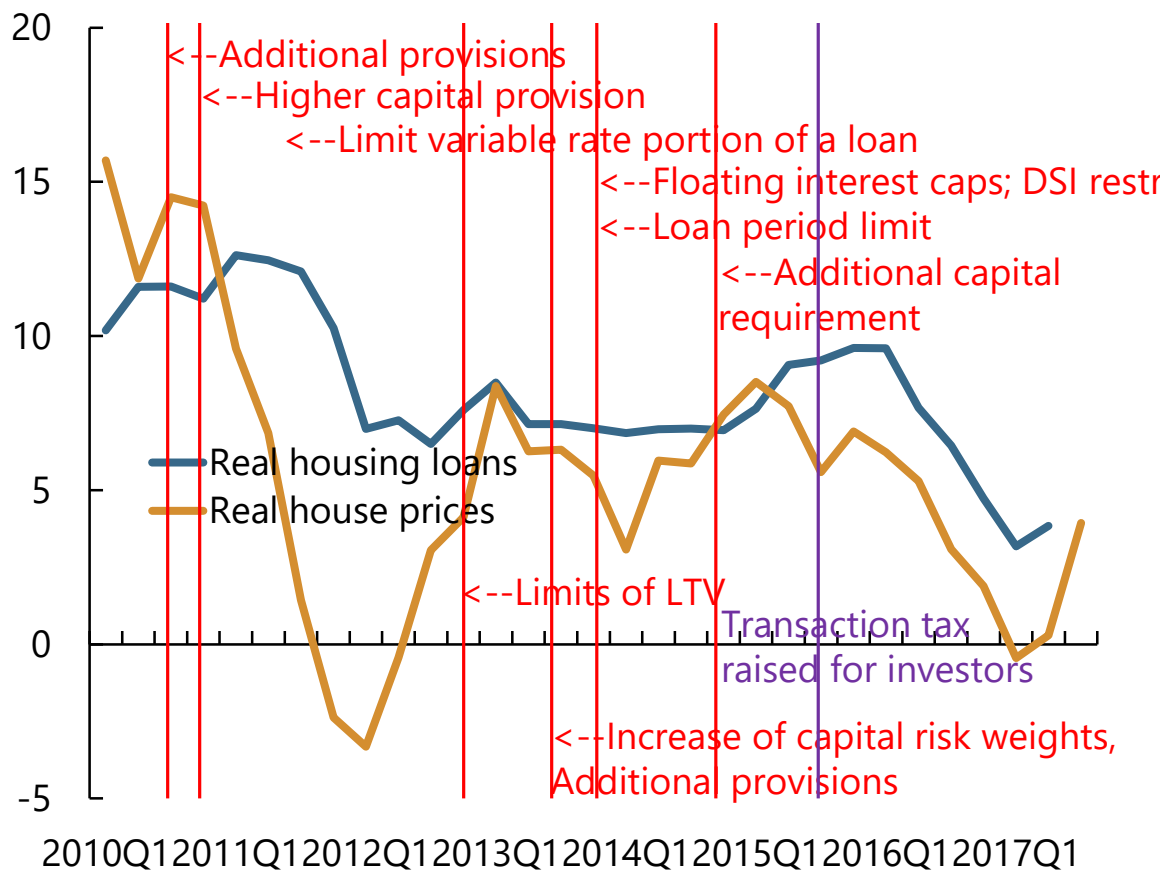
Hungary
(Y-o-y percent change)



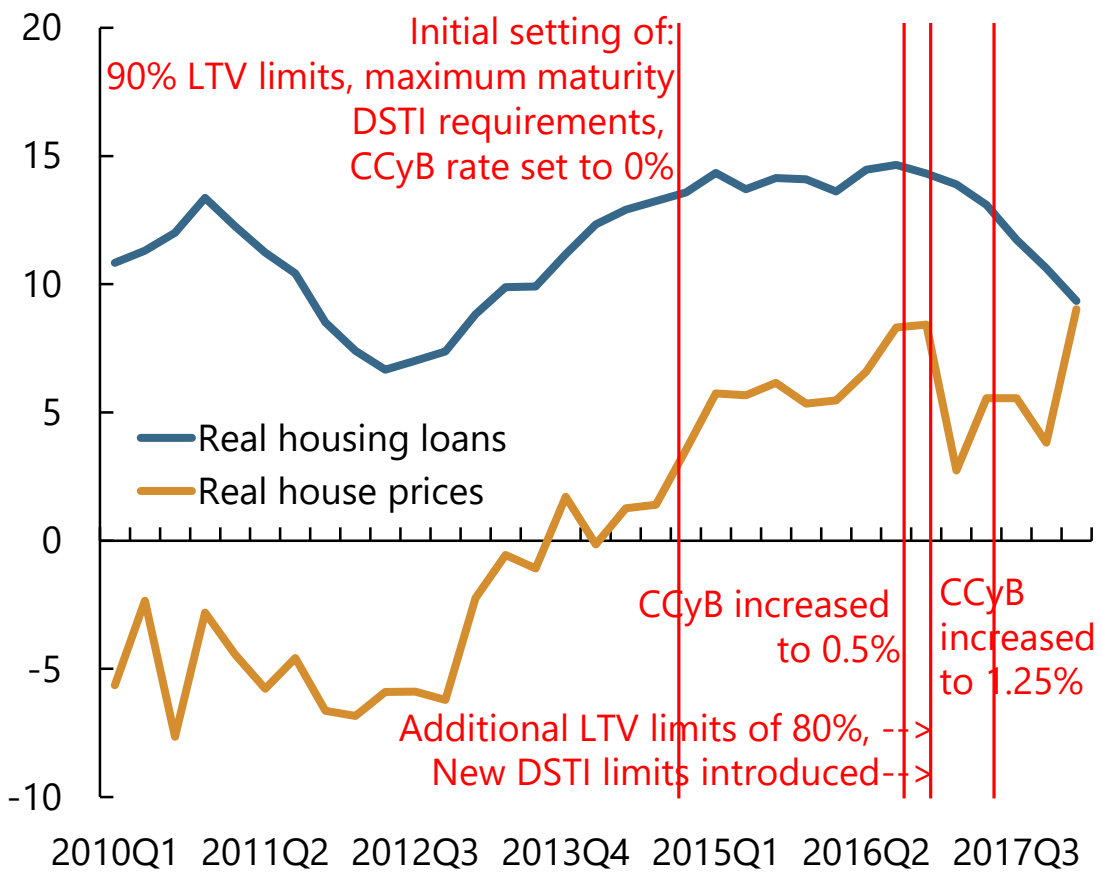
Sources: MNB, Hungarian Ministry for National Economy; Statistics Denmark; and IMF staff calculations.

The impact on house prices and household credit growth was mixed

Israel
(Y-o-y percent change)



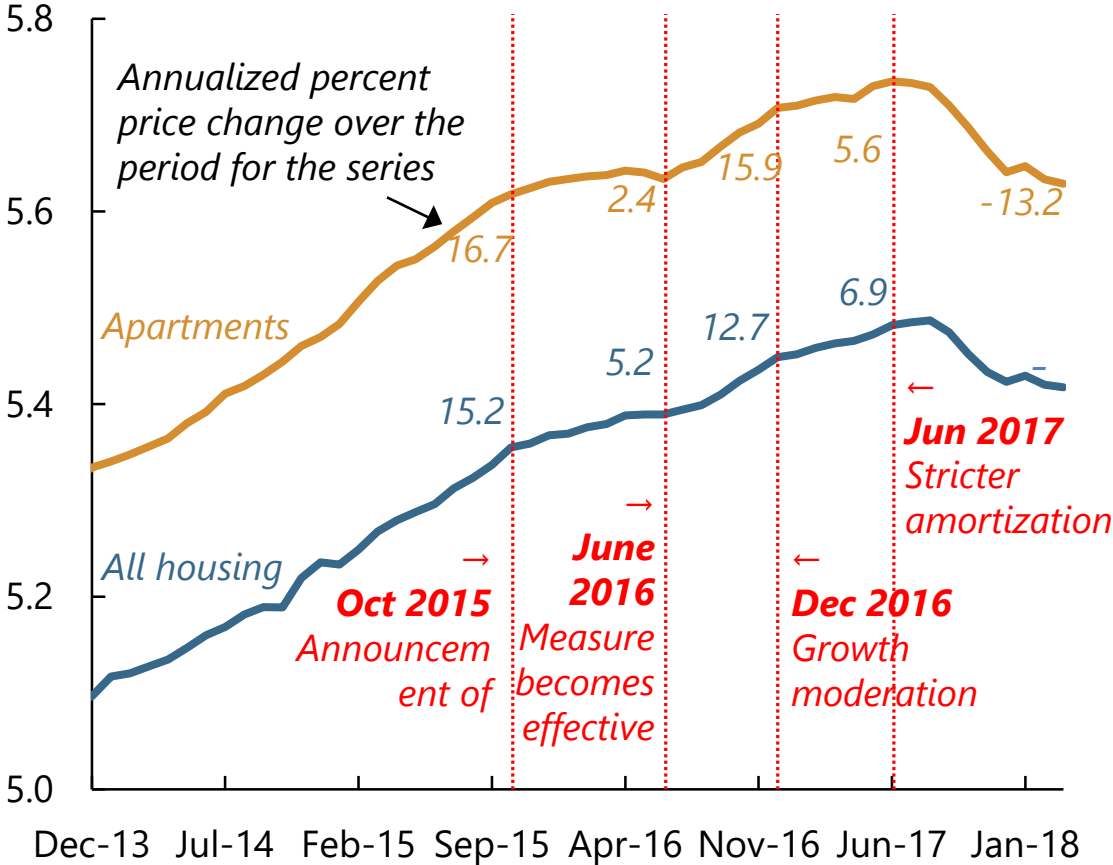
Slovak Republic
(Y-o-y percent change)



Sources: Bank of Israel; Haver Analytics; National Bank of Slovakia; and IMF staff calculations.

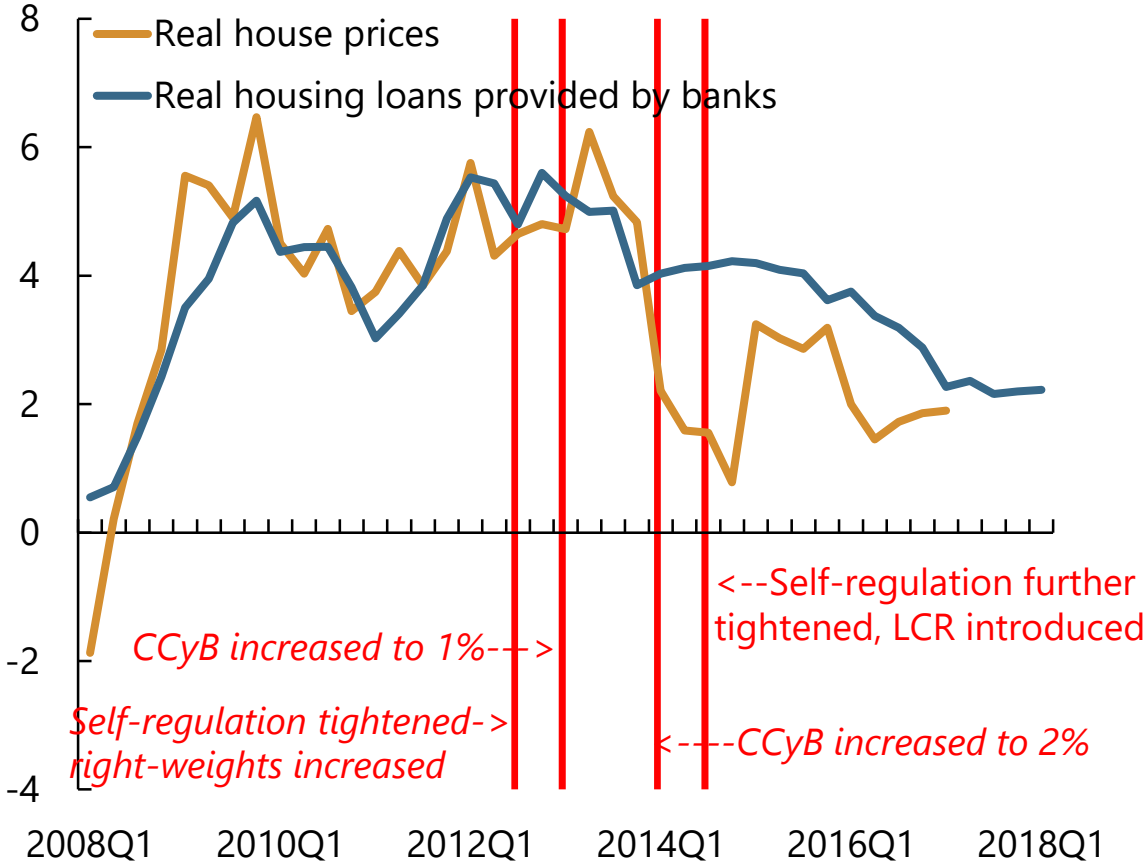
The impact on house prices and household credit growth was mixed

Sweden: Amortization Measure Effect
(SA, index level, in logarithm)



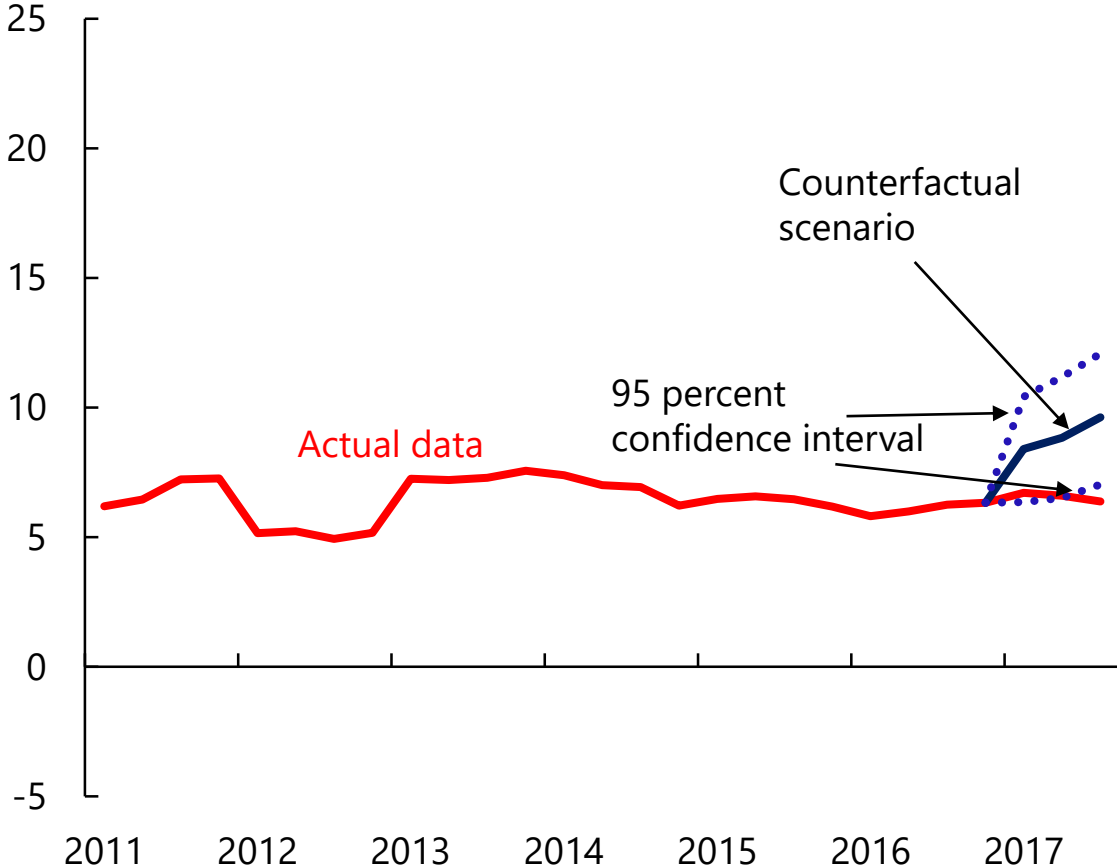
Sources: OMX Valueguard; IMF Global Housing Watch; and IMF staff calculations.

Switzerland
(Y-o-y percent change)

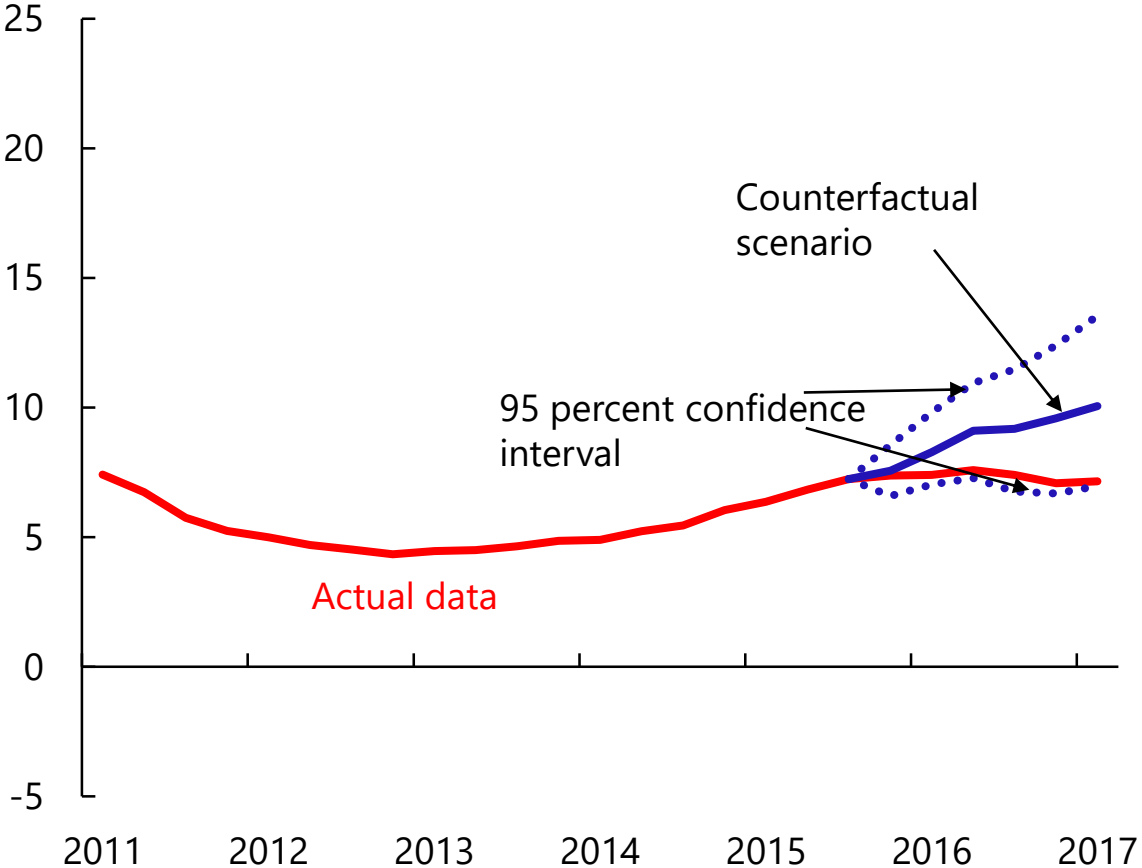


Counterfactual analysis suggests some effect on household credit growth

Norway: Household Credit Growth
(Y-o-y percent change)



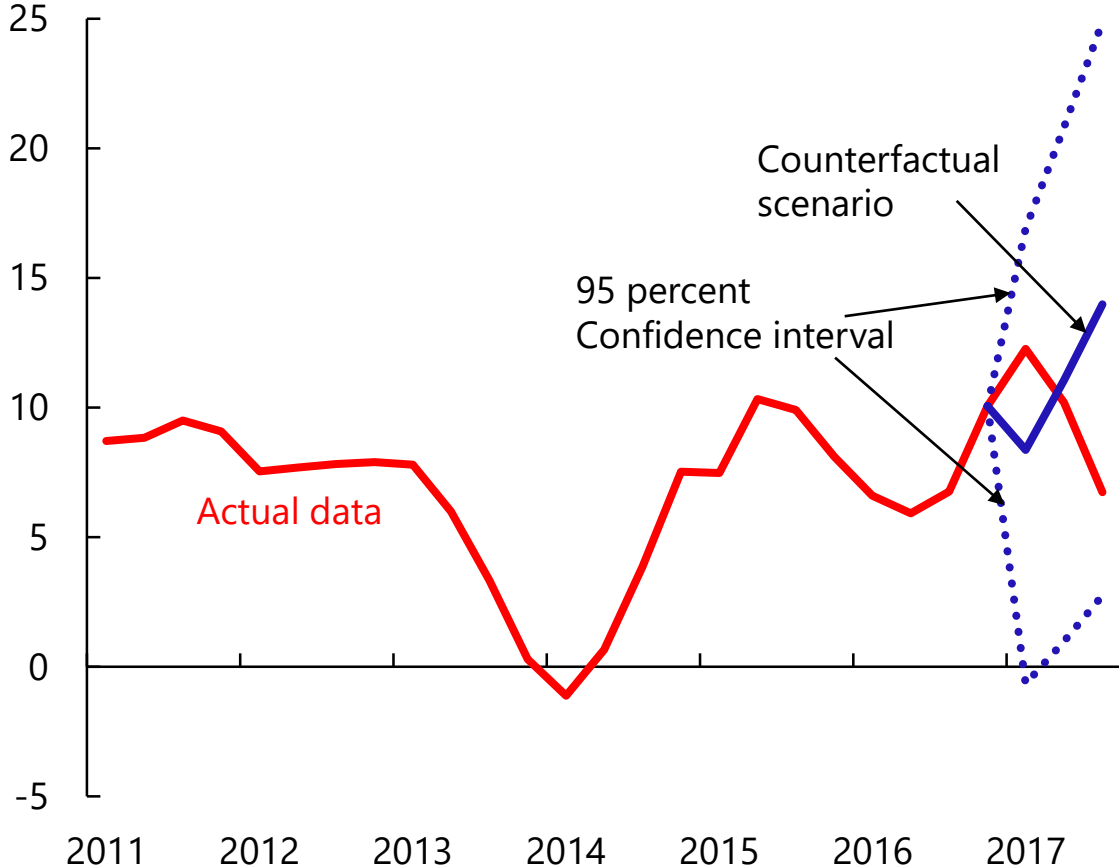
Sweden: Household Credit Growth
(Y-o-y percent change)



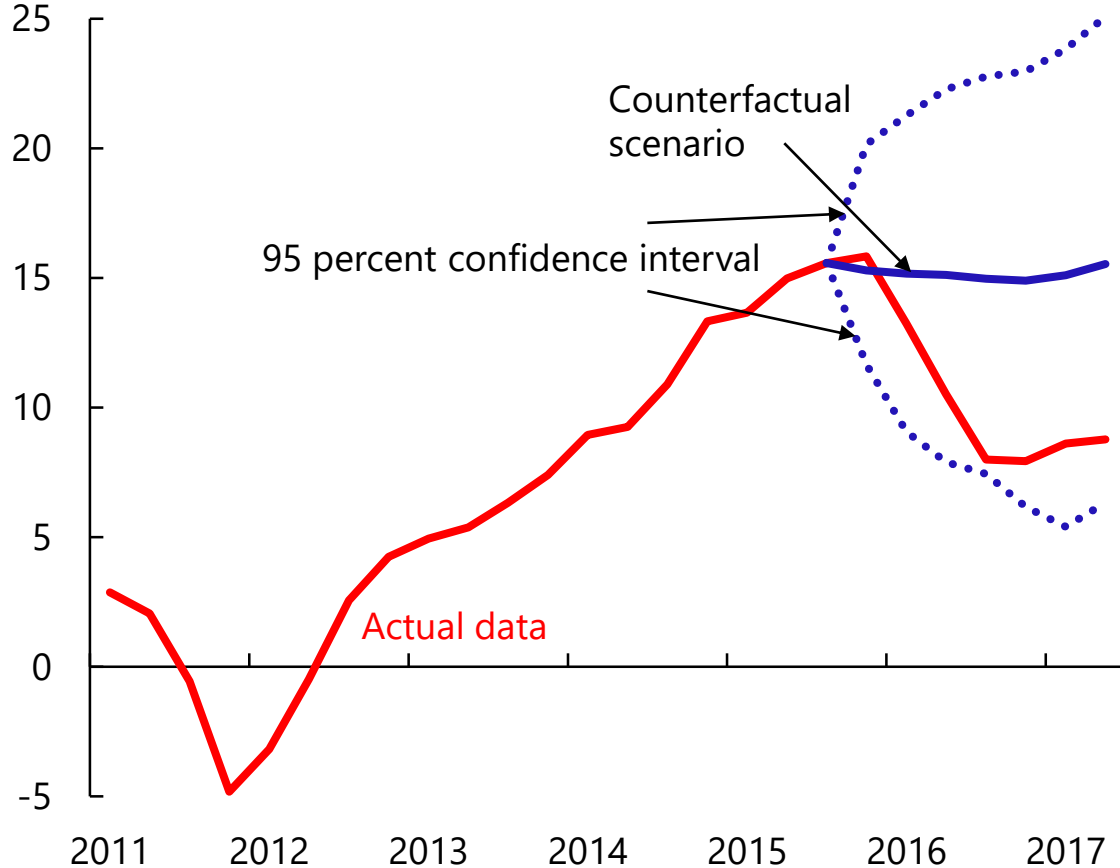
Source: IMF staff estimates.

Counterfactual analysis suggests some effect on house price growth

Norway: House Price Growth
(Y-o-y percent change)



Sweden: House Price Growth
(Y-o-y percent change)



Source: IMF staff estimates.

Policy Lessons

Borrower-side MaPPs, supported by lender-based measures, help limit riskier mortgages

- The impact on house prices and household credit growth was mixed

- The application of MaPPs needs to be broadened to avoid circumvention

- Supplementing MaPPs with other policies could improve their effectiveness

- More analysis needed to assess the effectiveness of MaPPs



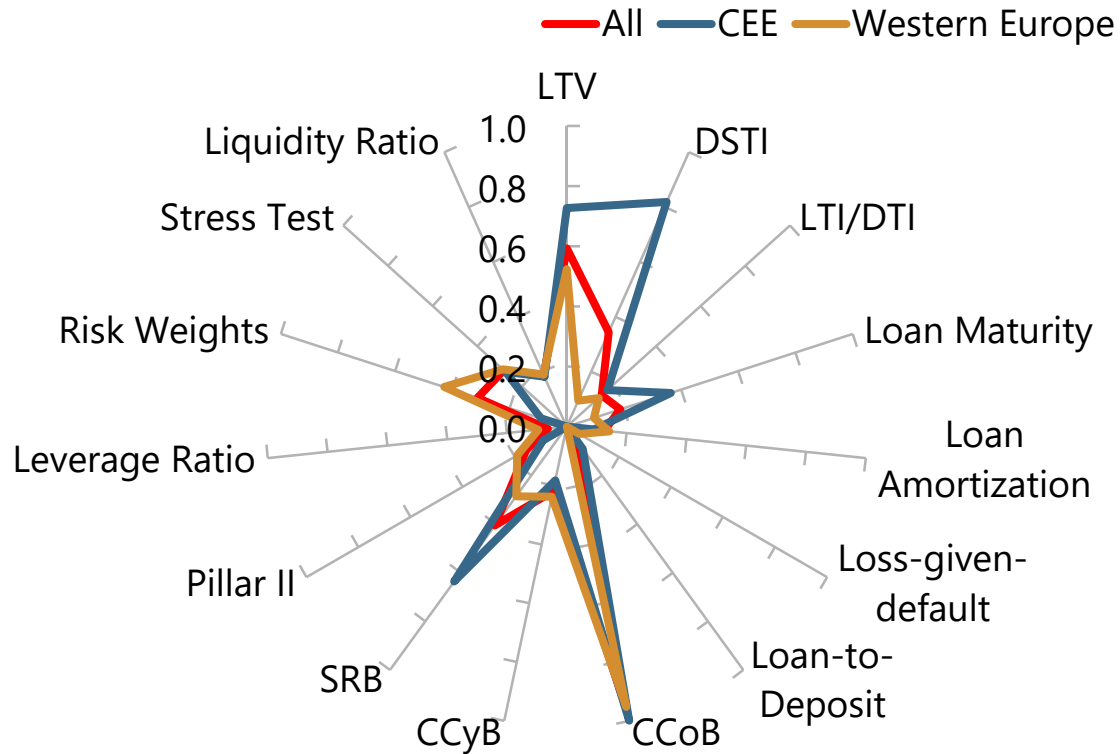
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THANK YOU

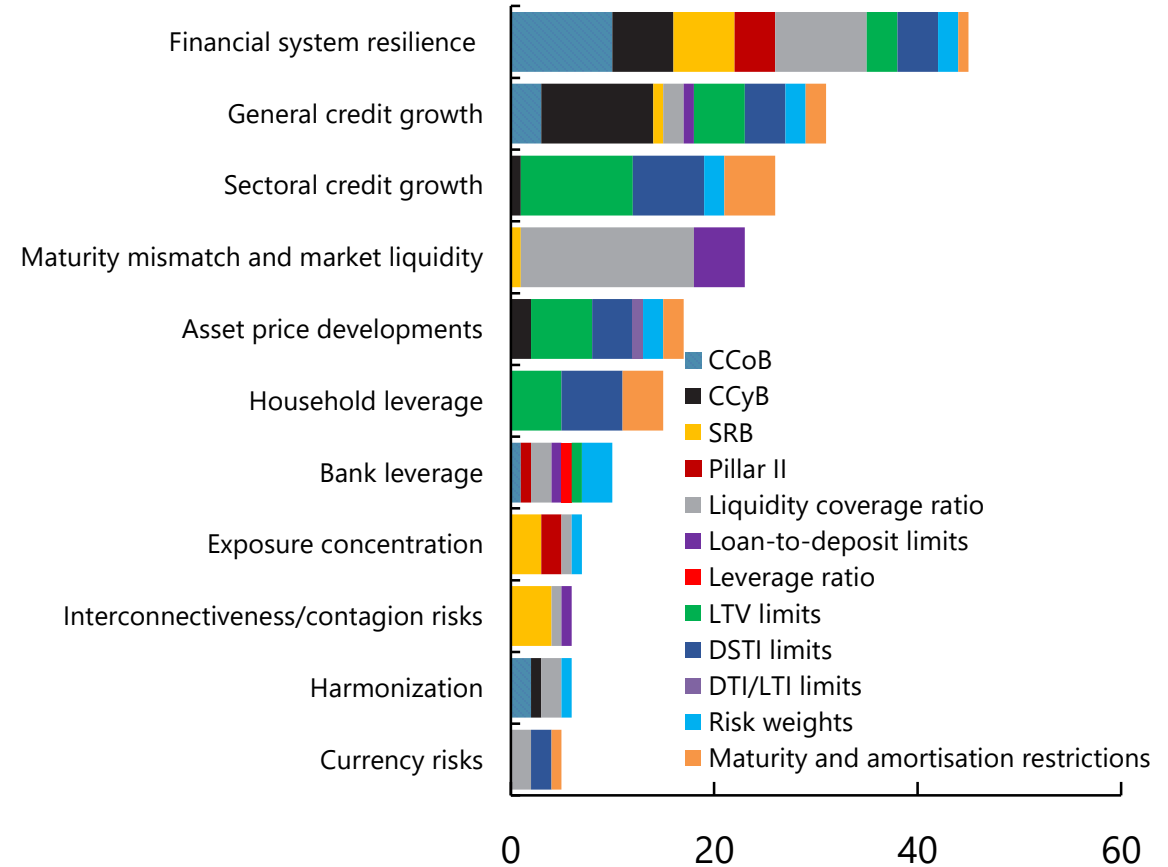


Increasing use of MaPPs in Europe in recent years

Adoption of Macroprudential Measures by Region, July 2018
(Share of countries adopting the measures)



Policy Objectives
(Number of measures)



Sources: ECB; ESRB; and IMF staff calculations.