



FINANCIAL STABILITY REPORT 2016

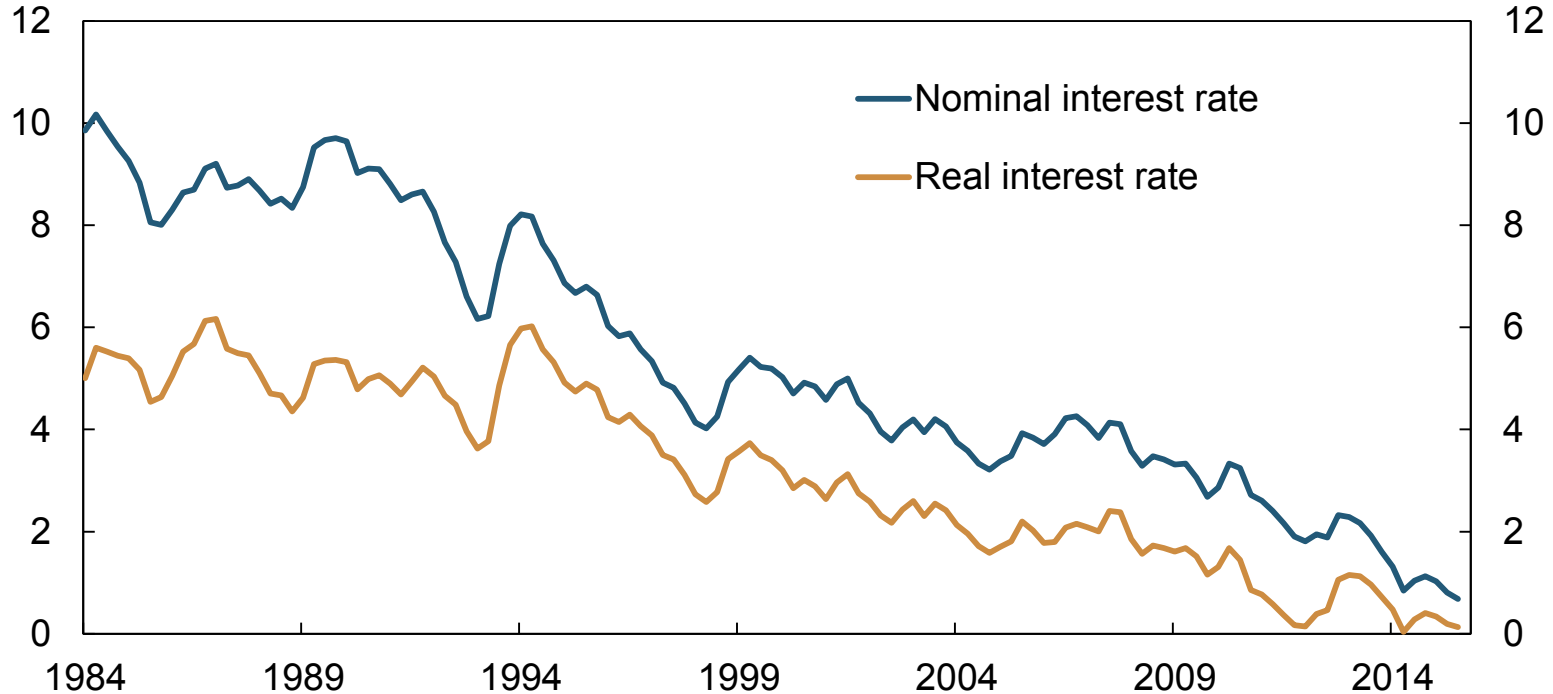
LOW INTEREST RATES AND
HIGH HOUSEHOLD DEBT

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22 NOVEMBER 2016

International interest rates have fallen

Long-term interest rates. 14 OECD countries¹⁾. Percent



1) US, Germany, France, Italy, UK, Japan, Netherlands, Austria, Belgium, Sweden, Denmark, Canada, Switzerland and Norway. Unweighted average.

Source: OECD



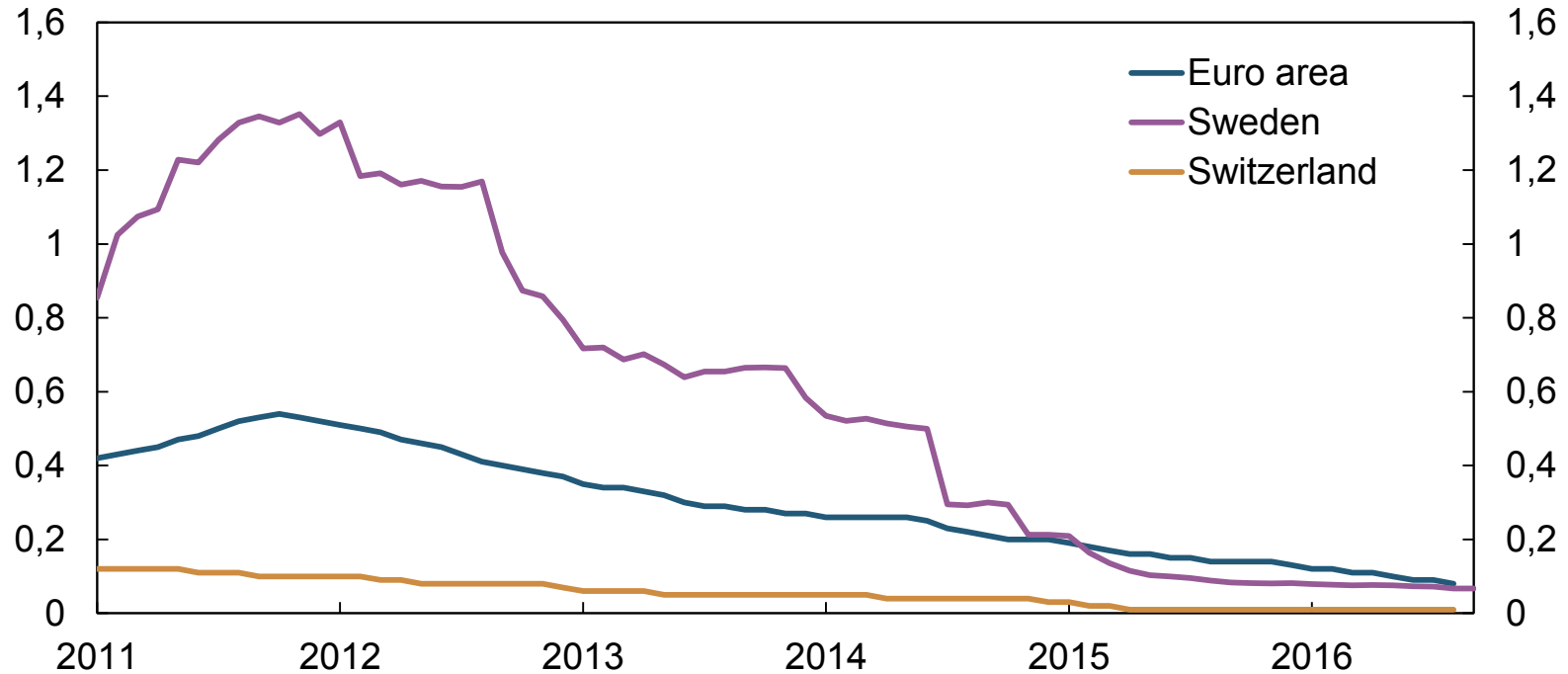
2016

FINANCIAL STABILITY REPORT

VULNERABILITIES AND RISKS

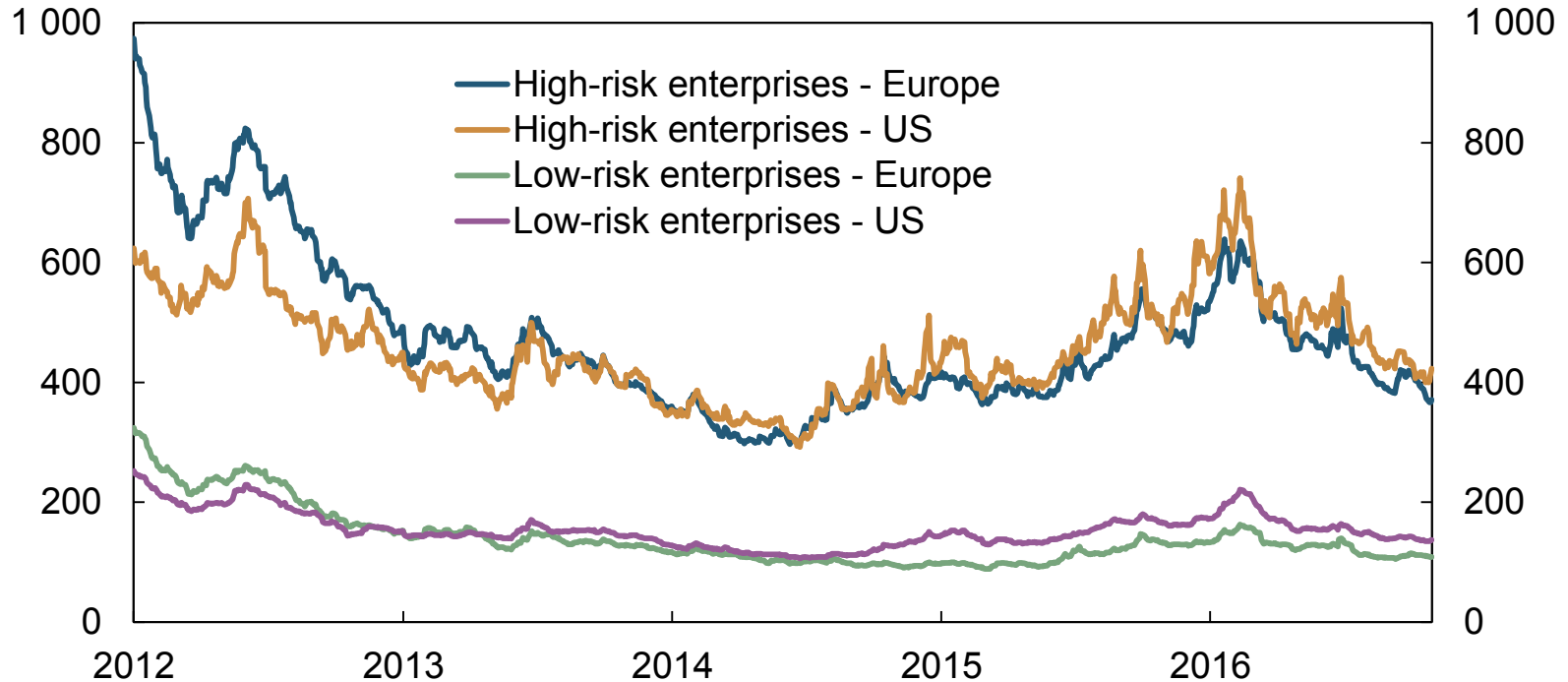
Household deposit rates close to the zero floor

Percent. January 2011 – September 2016



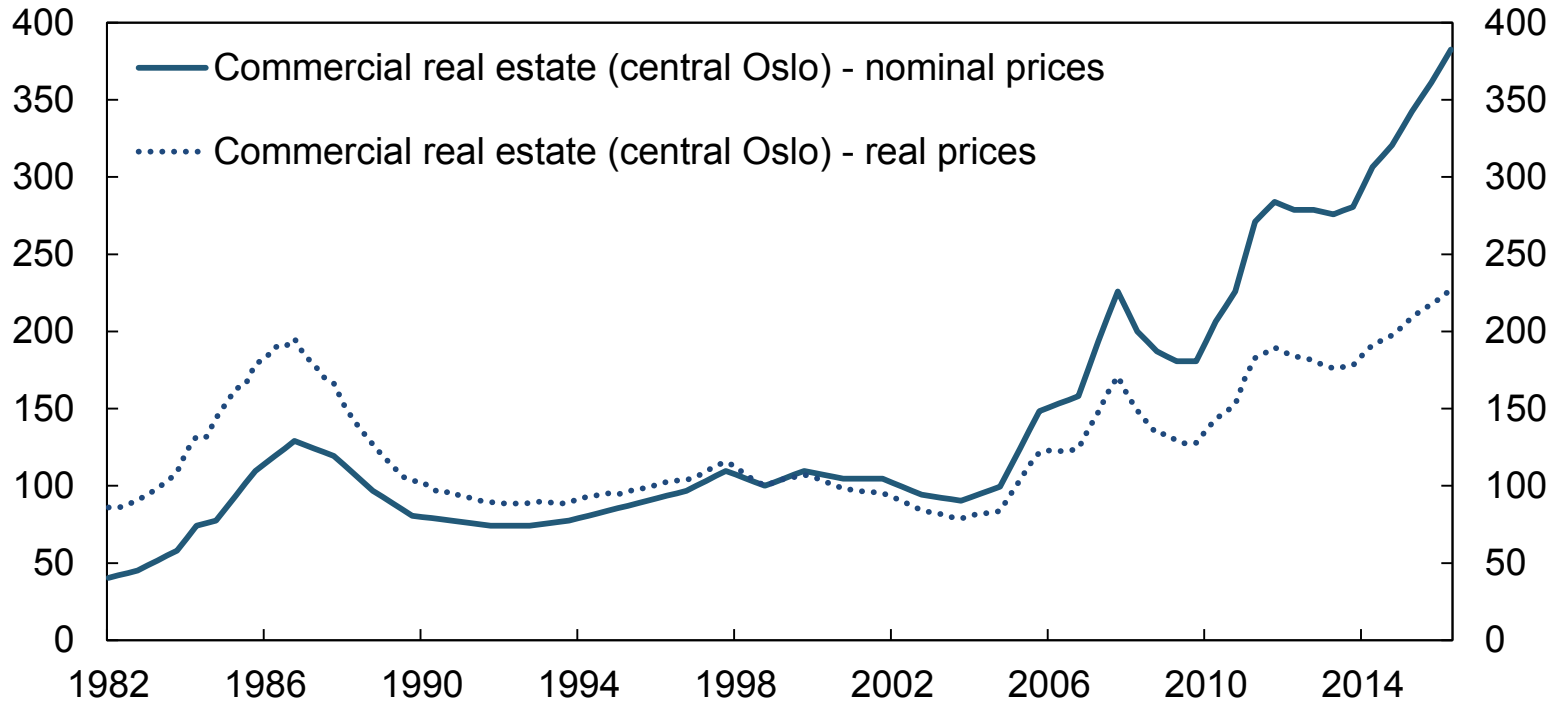
Risk of sharp rise in risk premiums

Basis points, relative to German and US government bonds.



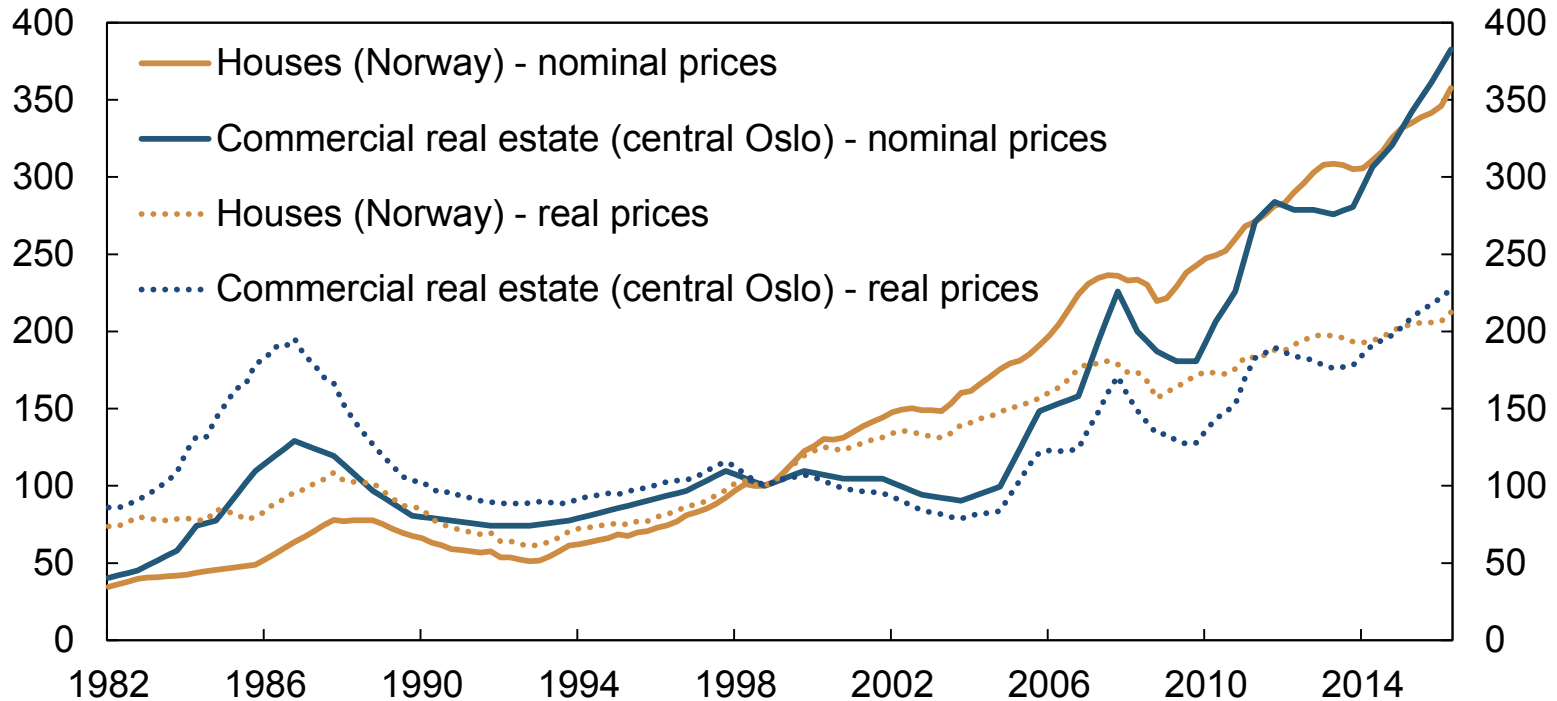
Strong rise in commercial real estate prices

Index. Q4 1998 = 100. Q1 1982 – Q2 2016



Strong rise in both CRE and house prices

Index. Q4 1998 = 100. Q1 1982 – Q2 2016

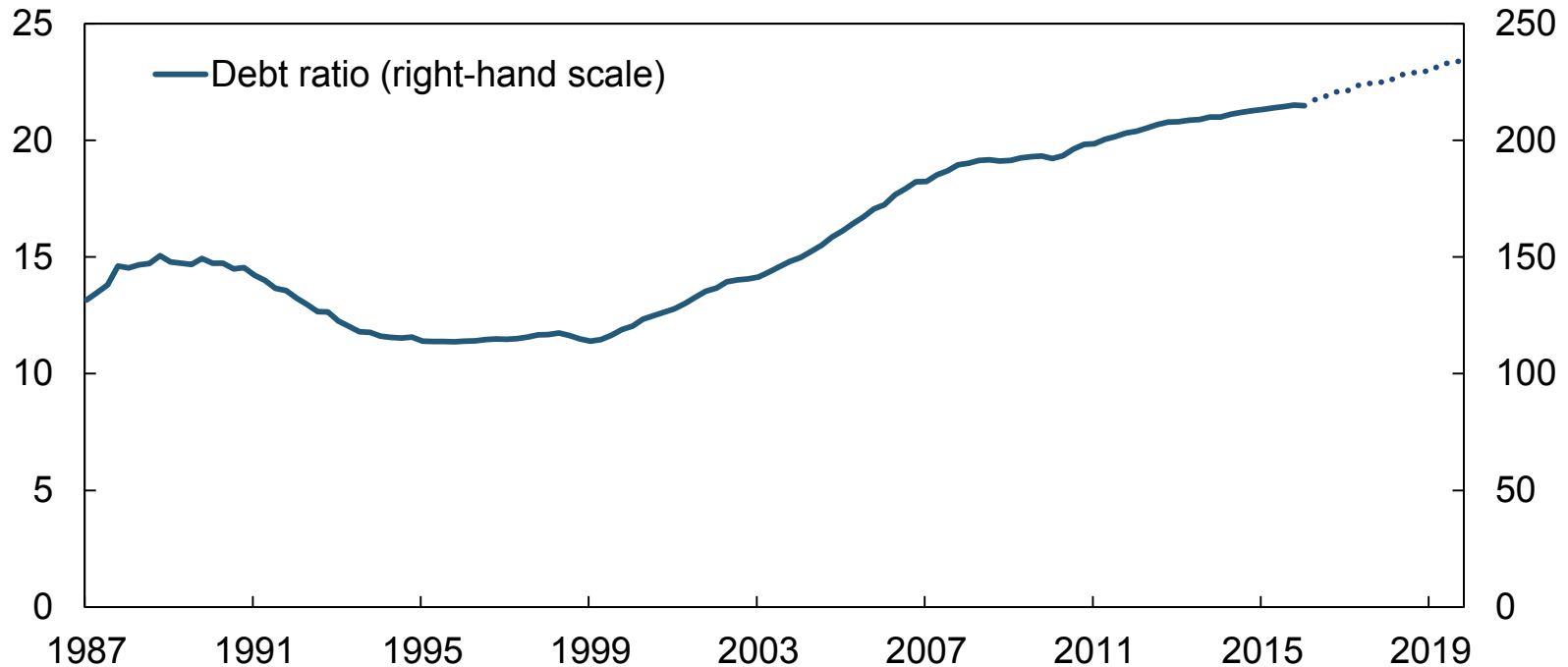


Key vulnerabilities in Norway



High household debt

Household debt ratio, debt service ratio and interest burden.
Percent. 1987 Q1 – 2019 Q4¹

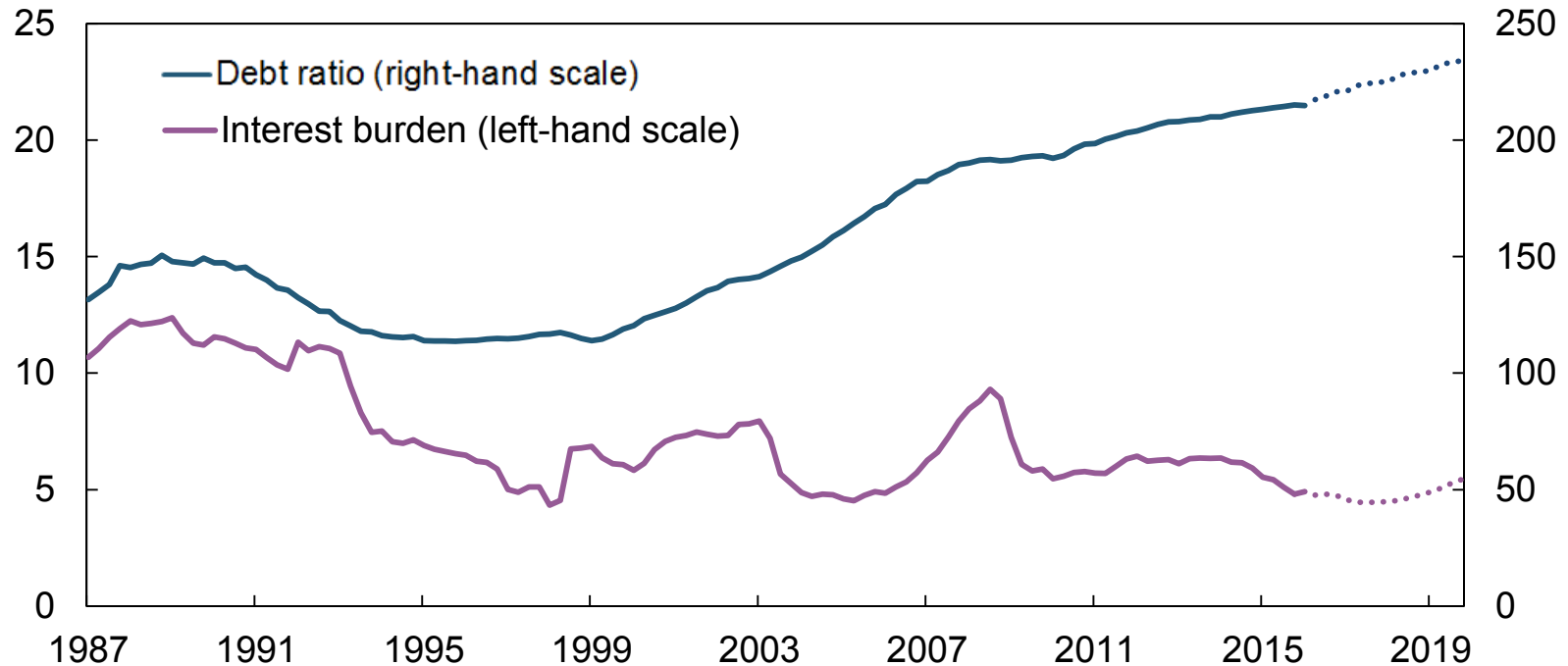


1) Projections for 2016 Q2 – 2019 Q4 (broken lines).
Sources: Statistics Norway and Norges Bank



High household debt

Household debt ratio, debt service ratio and interest burden.
Percent. 1987 Q1 – 2019 Q4¹

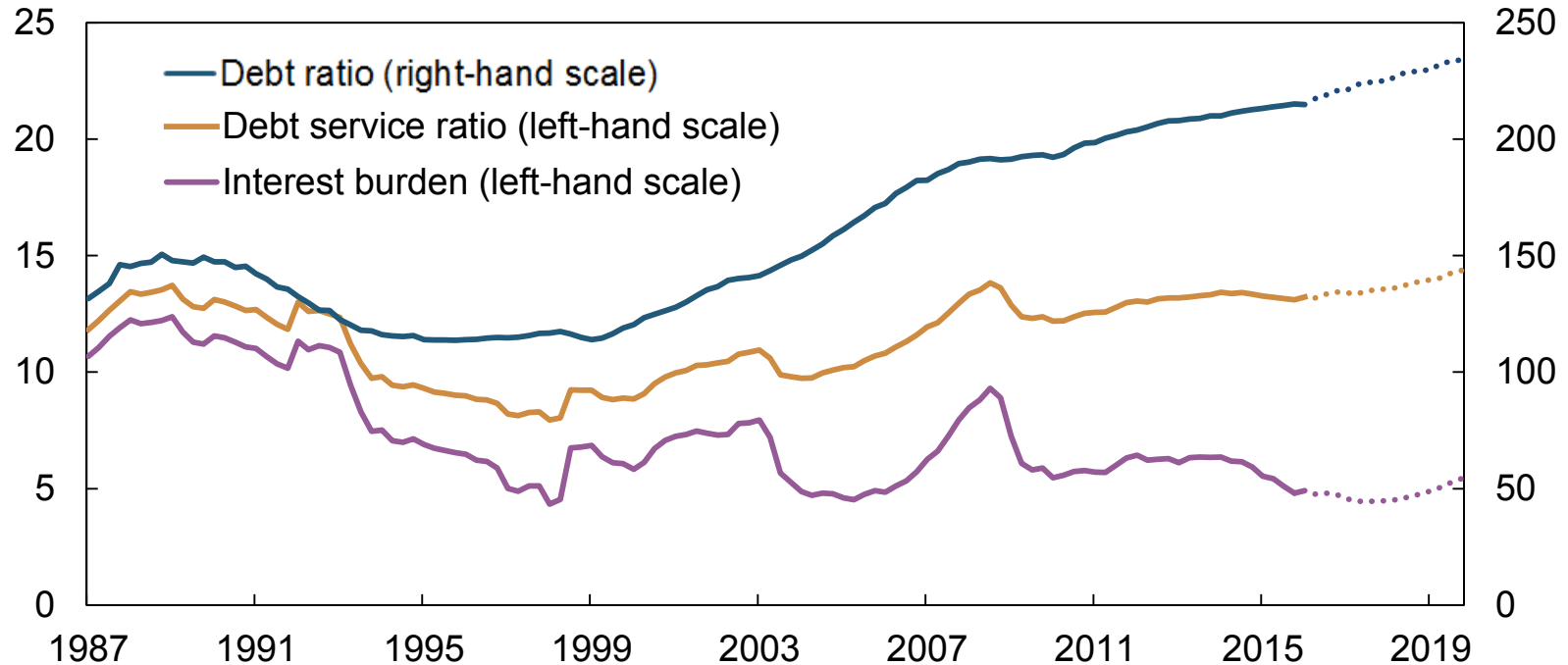


1) Projections for 2016 Q2 – 2019 Q4 (broken lines).
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High household debt

Household debt ratio, debt service ratio and interest burden.
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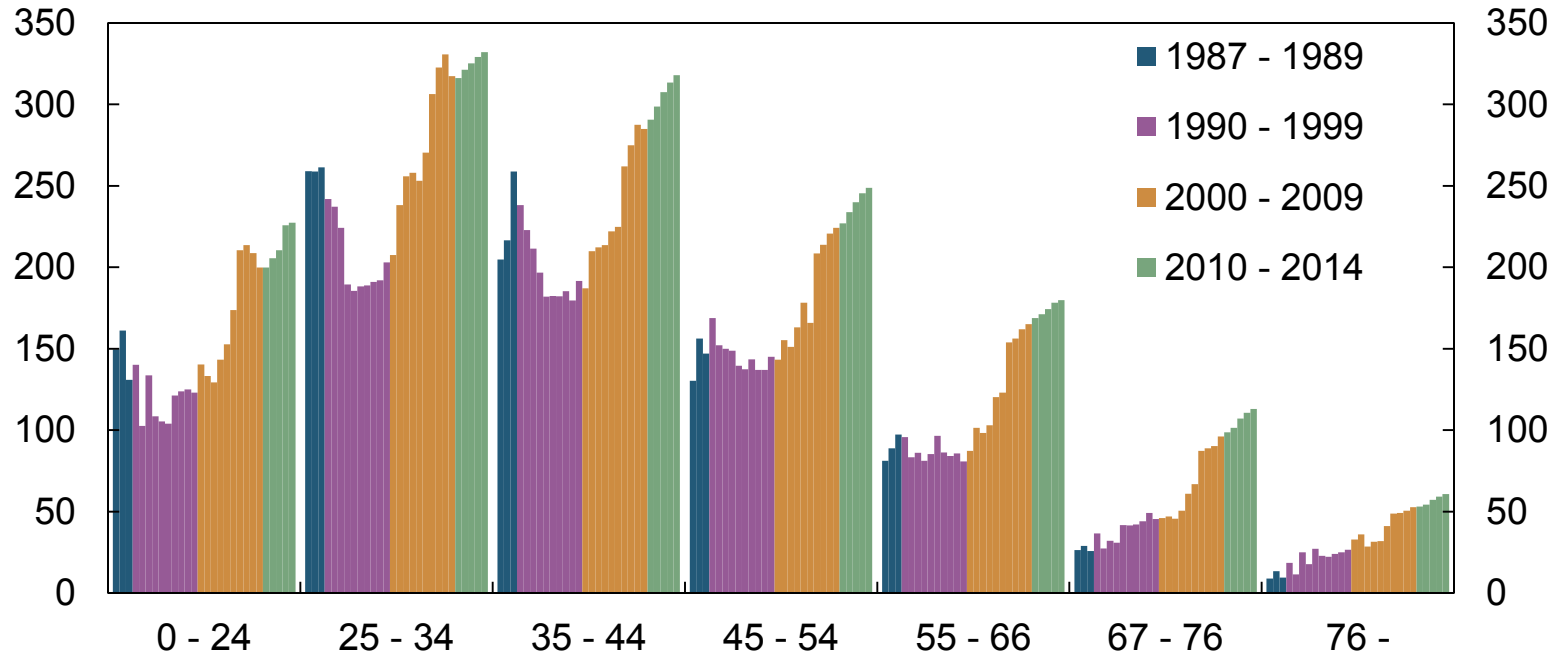


1) Projections for 2016 Q2 – 2019 Q4 (broken lines).
Sources: Statistics Norway and Norges Bank



Rising debt burden across all age groups

Debt to disposable income ratio by age of main income earner
Percent. 1987 – 2014

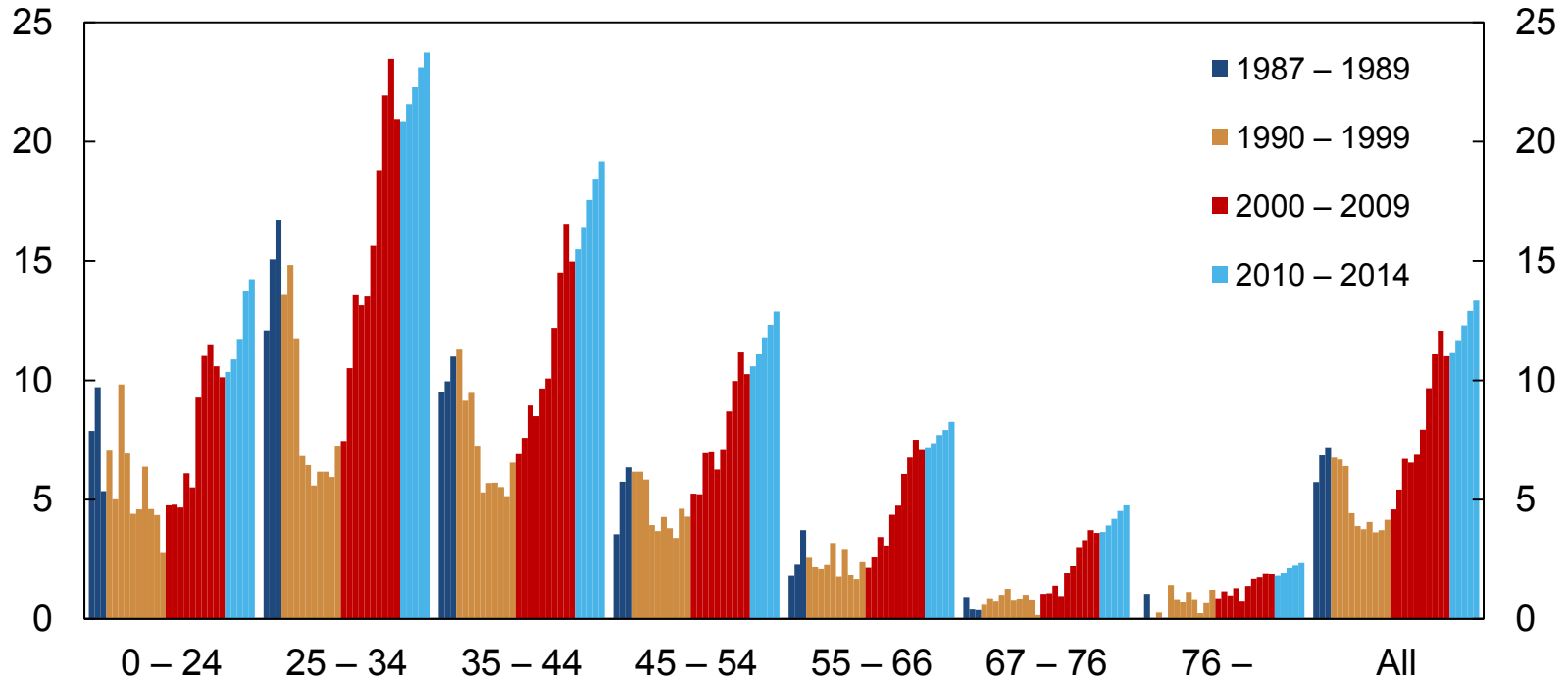


Sources: Statistics Norway and Norges Bank



More households with a very high debt burden

Share of households with debt-to-disposable income above 500%.
By age of primary wage-earner. Percent. 1987 – 2014



1) Debt to disposable income.

Sources: Statistics Norway and Norges Bank



Possible macroprudential policy responses

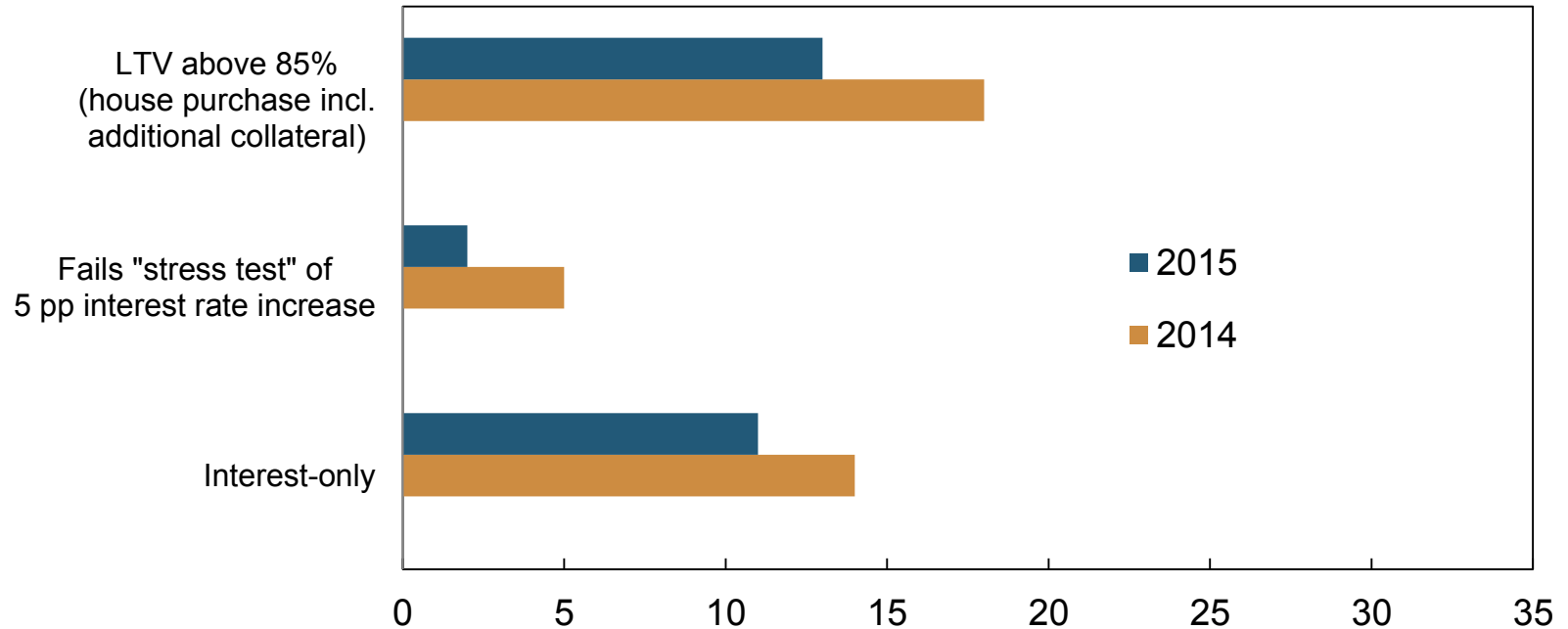
Addressing high growth in property prices and household debt

- Capital requirements for banks
- Requirements related to banks' lending practice



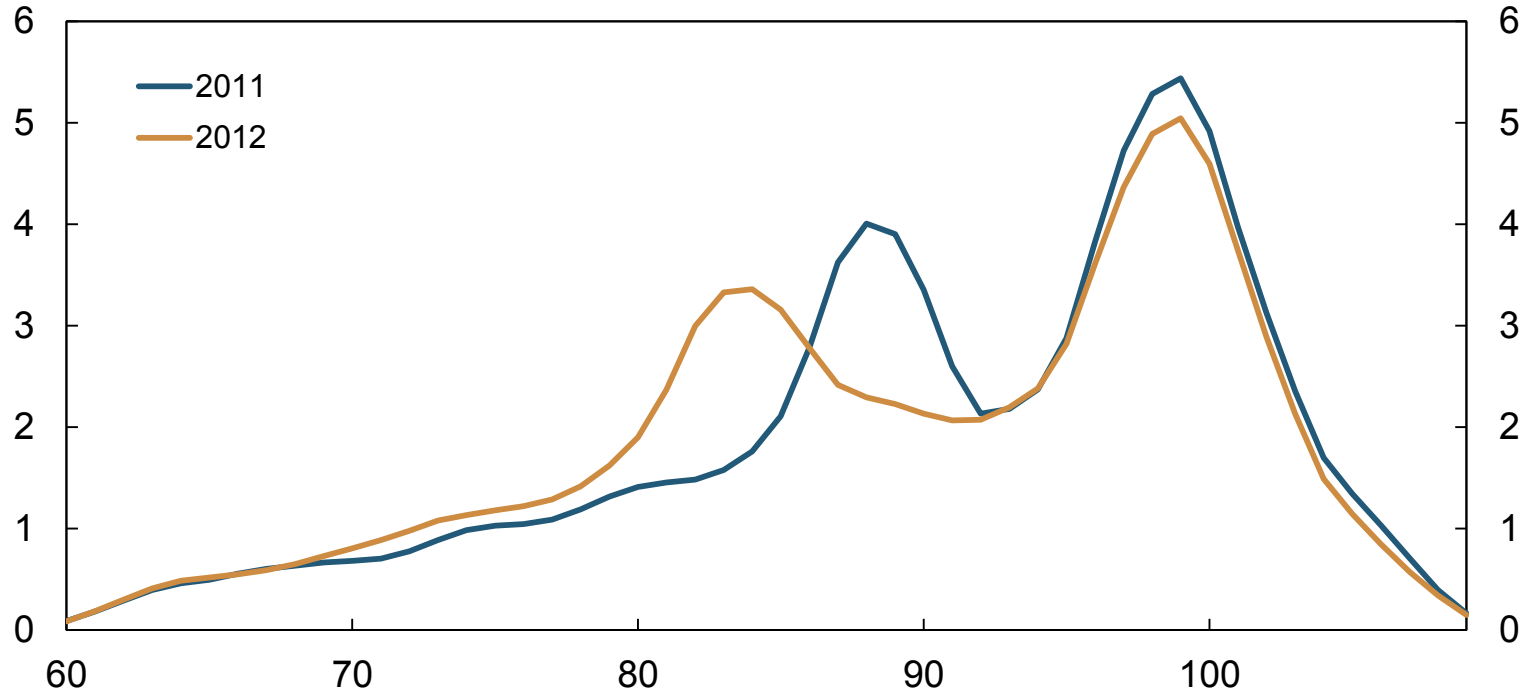
Do lending requirements work?

Share of new loans. Percent



Change in first-time buyers' LTV distribution

After introducing guidelines (2010) and making them stricter (2011)

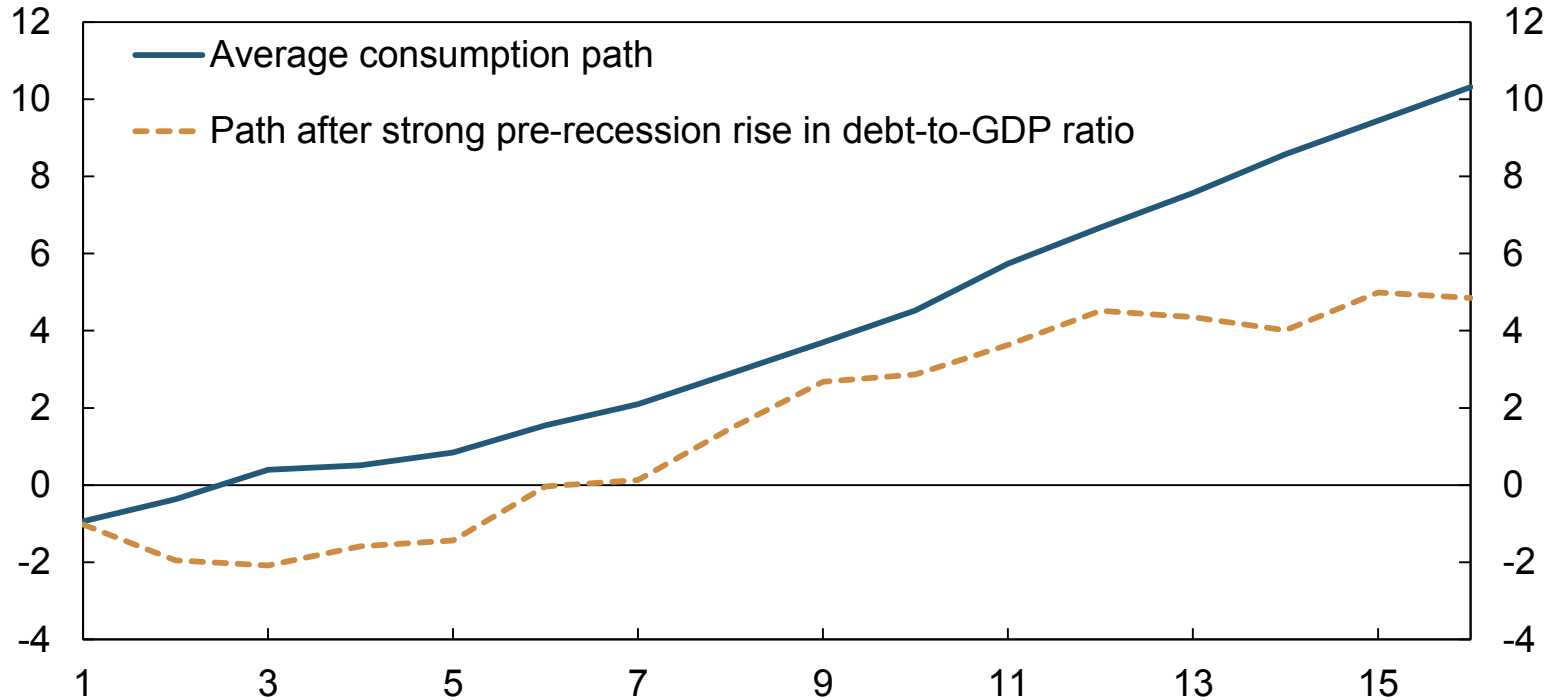


Sources: Ambita Land Registry, Norwegian Mapping Authority, Statistics Norway and Norges Bank



Estimated path for consumption during recessions

Number of quarters from start of recession. Percent



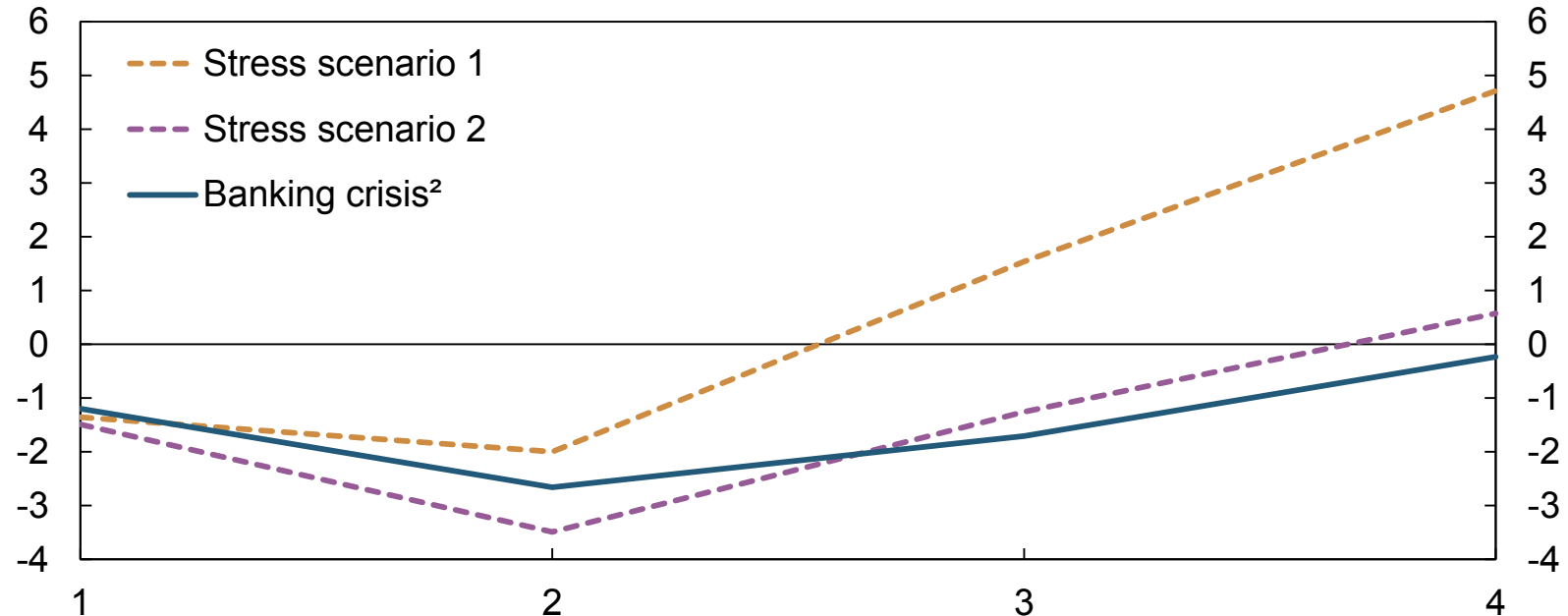
1) Strong growth is defined as a rise of more than one standard deviation above the average. The rise is the average rise in the five years preceding the start of the recession.

Sources: BIS, Federal Reserve Bank of Dallas, OECD, Statistics Norway and Norges Bank



Stress test - Change in mainland GDP

Number of years from beginning of crisis. Percent



1) Percentage change from the beginning of the period.

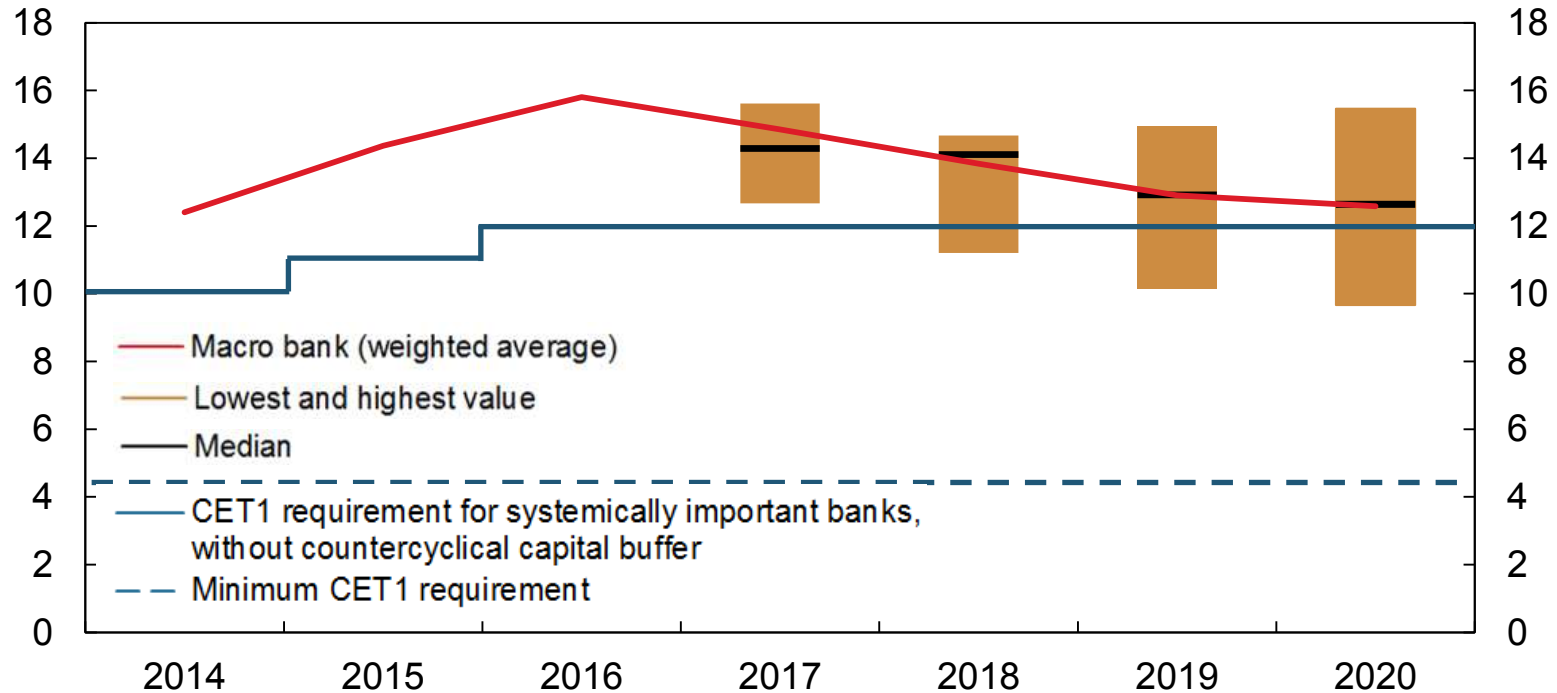
2) "Banking crisis" shows the change in mainland GDP from 1987.

Sources: Statistics Norway and Norges Bank



Stress test – Bank solvency

Common Equity Tier 1 (CET1) capital ratio in stress scenario 1

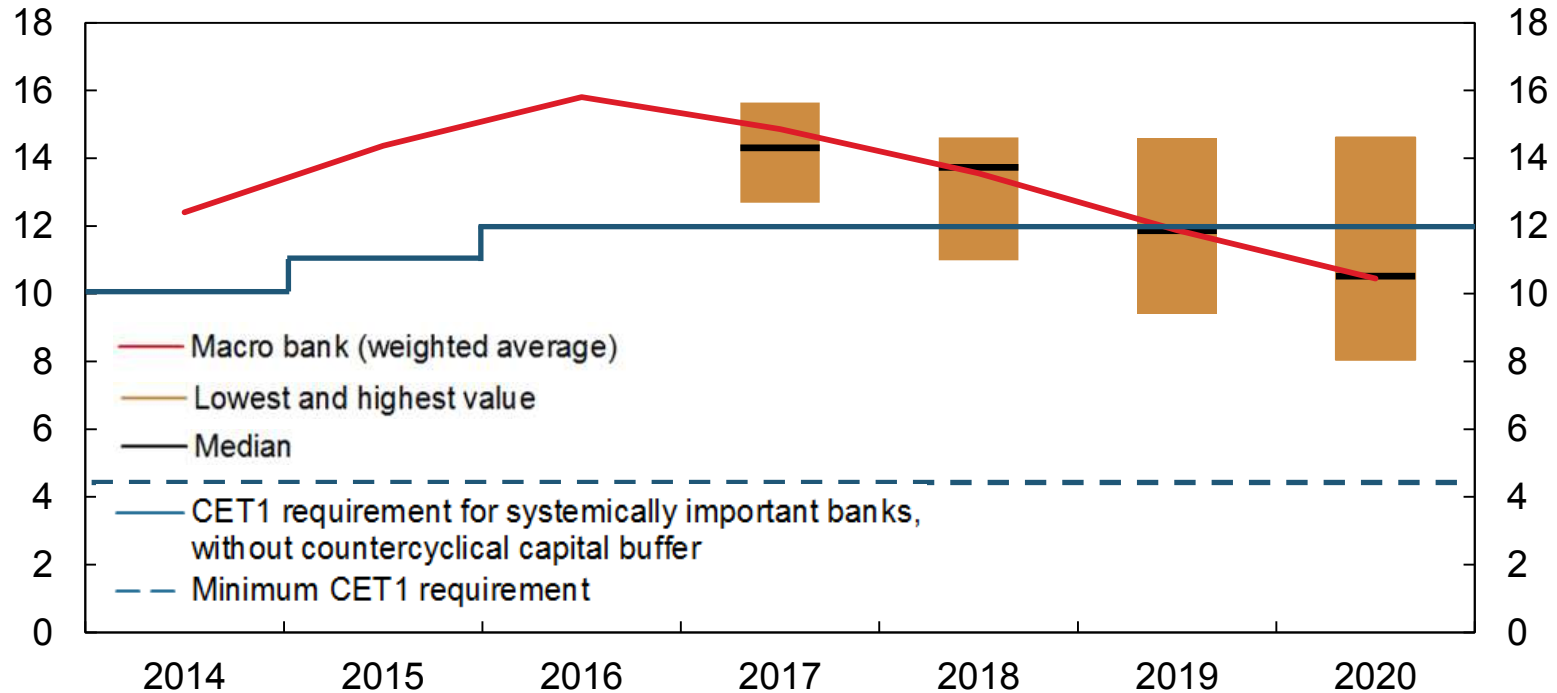


1) Projections for 2016 Q3 – 2020 Q4.
Sources: SNL Financial and Norges Bank



Stress test – Bank solvency

Common Equity Tier 1 (CET1) capital ratio in stress scenario 2



1) Projections for 2016 Q3 – 2020 Q4.
Sources: SNL Financial and Norges Bank



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VULNERABILITIES AND RISKS

EKSTRA



Households investment in housing

Sum of past four quarters. NOK billions. 2000 Q1 – 2016 Q2

