LIETUVOS BANKAS
EUROSISTEMA

SURVEY OF THE FINANCIAL SITUATION OF HOUSEHOLDS WITH LOANS

2018

ISSN 2424-3515 (ONLINE)

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The survey was prepared by the Economics and Financial Stability Service of the Bank of Lithuania.

METHODOLOGICAL NOTES

Monitoring of the financial situation of households with loans and permanent analysis of data on households are important in assessing the operating risk of credit institutions and examining the situation and stability of the financial system. Aiming to fill the gap in household examination, in early 2013 the Bank of Lithuania devised a Household Financial Monitoring Information System. Impersonal data has been used in this survey.

The Household Financial Monitoring Information System (HFMIS) is an information system that combines the information of the Loan Risk Database of the Bank of Lithuania (LRDB), the database of the Residents' Register Service, and the database of the State Social Insurance Fund Board (hereinafter 'SoDra').

The Survey of the Financial Situation of Households only covers natural persons with loans, residents of the Republic of Lithuania, information about the loans extended to whom is submitted to the LRDB. Data to the LRDB on credit taking parties and loans granted to them is provided by banks registered in the Republic of Lithuania (at the same time, they provide the data on their controlled undertakings – leasing companies), foreign bank branches, the Lithuanian Central Credit Union, credit unions, consumer credit issuers, peer-to-peer lending platforms. A household with loans (hereinafter 'household') is defined as a natural person with loans, his/her spouse (where the person is married) as well as the children of both spouses and those with other persons under 18. At the end of 2017 there were 640,556 such households in the HFMIS database.

In this Survey the amount of insured household income is not tantamount to household actual income and only comprises the state social security contribution base and the amounts of one-off and regular benefits assigned to a household during the reference period. This is insured income, defined as the total income of a natural person from which, according to the procedure established in the Republic of Lithuania Law on State Social Insurance, state social insurance contributions are calculated and must be paid; also sickness allowances, maternity, paternity benefits, maternity/paternity, occupational rehabilitation, sickness allowances in the case of incapacity for work as a result of accidents at work and state social insurance benefits for occupational sickness, as well as state social insurance unemployment benefits must be calculated. The aforementioned income in this Survey is hereinafter referred to as insured income. The Survey excludes information about the income of individuals working with business certificates, receiving dividends or income from abroad as well as other income which is not recorded in the SoDra database. Information is presented about income before tax.

This Survey considers unique loans only. Different households can have the same unique loan. In that case, the loan is attributed to each of the households with this loan; however, the amount and balance of the loan is divided in proportion to insured income received. Where none of such households receive insured income, the amount of loan is divided by the number of households that have received it.

Meeting of loan repayment liabilities is considered belated where payments are overdue for more than 60 days.

The 2011-2017 LRDB data used in the Survey is not comparable with the data of previous periods, because amendments to the LRDB Management Regulations came into effect in November 2011 (the threshold amount from which the loan is to be notified was reduced from €14.5 thousand to €300). The data for the period referred to in the tables and charts are presented against a different-colour background. Once the euro became Lithuania's national currency in 2015, loans not below €200 were additionally included in the database. For this reason, the indicators presented in the surveys published until 2015 are not compared in detail. Moreover, in 2016, consumer credit providers non-credit institutions (including peer-to-peer lending platforms) started providing data for the LRDB; therefore, consumer loan data is not compared with the data for the previous periods.

Due to methodological differences, the indicators in this survey do not fully tally with monetary financial institutions' balance sheet, interest rate data, as well as credit institutions' financial accountability data.

The annex to this review with data tables in Excel format is available on the Bank of Lithuania website.

SUMMARY OF THE SURVEY RESULTS

At the end of 2017, households in Lithuania still had €1.3 million loans outstanding, with their value reaching €8.5 million. Consumer loans represented the largest share of household loans in number (47.9%). Mortgage loans that include not only loans for house purchase but also loans for other purposes, for which real estate is used as collateral, accounted for 17.0% of the total number of household loans. Financial lease accounted for 2.7%, while other liabilities (e.g. account credit, property sold by instalments) – 32.3% of the total number of household loans. Mortgage loans (€7.3 billion), accounted for the largest share (86.0%) of total loans in terms of loan value (a year-on-year increase of €0.2 billion).

In the period under review, households have been borrowing actively. Households were granted a total of 456 thousand new loans, an increase of 15.7% from 2016. An upturn in the number of new loans was mostly driven by consumer loans, which posted an annual increase of 18.0%. The number of mortgage (2.7%) and other (14.4%) loans picked up as well, while that of financial lease loans decreased somewhat (-6.9%). In 2017, new loans granted to households stood at €1.9 billion in value, and grew by a tenth over the year, while new consumer loans grew at the fastest pace – they picked up by almost a fourth.

In 2017, households, on average, increased their borrowing volumes and loan repayment period. The average initial amount of financial lease loans granted in 2017, specified in an agreement, increased by €2.6 thousand, and amounted to €12.4 thousand. The average amount of a mortgage agreement went up slightly over the year (€1.6 thousand) and stood at €50.1 thousand (consumer loans increased by 58€ respectively and stood at €1.4 thousand). In 2017, the average weighted repayment period for new mortgage loans granted increased by half a year and was 24 years and 6 months. In terms of financial lease, the indicator was 5 years and 1 month, consumer loans – 3 years and 10 months. Decreased (1.5 y.) only the average weighted repayment period for other loans and credits – to 6 months and 1 month respectively.

In 2017, the average ratio of the value of new mortgage loans extended to the value of pledged assets inched up (from 75.9%) to stand at 77.5%. According to the overall assessment of mortgage loans, households with mortgage loans had pledged to banks assets almost two times higher in value: the total value of collaterals for mortgage loans (including assets other than real estate) stood at €15.2 billion, while the value of such loans – €7.3 billion. The value of assets pledged to banks of 10.5 thousand households (or 5.6%) with a mortgage loan, was lower than the remainder of the outstanding value of the loan. Their assets pledged stood at €274 million in value, but these households still owed banks €425 million.

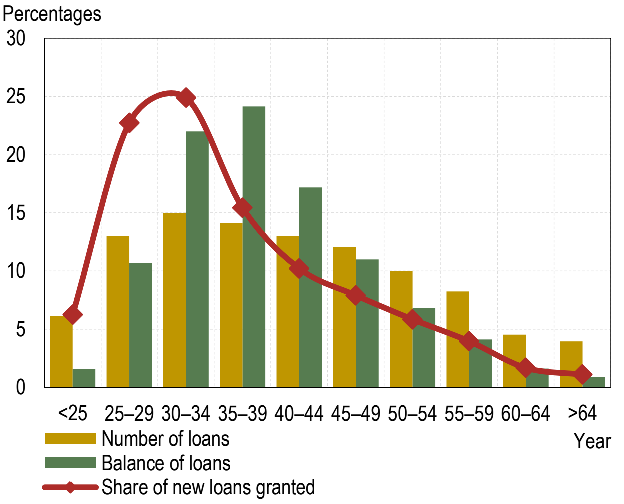
By average age of adult members in a household, at the end of 2017 households in the 35-39 age group were indebted the most. Such households accounted for 14.1% the total number of household loans, with their value amounting to a fourth of the total value of household loans. In terms of the distribution of the average size of new loans granted by borrower age, the largest number of mortgage loans were granted to households with residents aged 35-39. Other household loans were more often granted to recipients in younger age groups (consumer and financial lease loans to recipients aged 30-34; other loans and credits – aged 25-29).

The share of income for loan repayment increased for the first time in four years and in 2017 amounted to, on average, 28.5%. Compared with the data of the last year survey, households spared 2.8 percentage point more of their income for loan repayment. 25.2% of household income was assigned to the repayment of mortgage loans. In total, household expenditure for loan repayment in 2017 amounted to €2.01 billion, while one household with loans had to spare, on average, €238 per month for the discharge of its liabilities.

Loans for which payments were overdue accounted for 2.7% of the value of total loans in 2017. In terms of value, in the period under review, households with financial lease loans delayed the least in making payments (same as a year ago). Consumer loan recipients who were late in paying their contributions in 2017 accounted for 8.5% of total households with a respective type of liabilities. The smallest share of payments overdue (in terms of the number of loans) was among households with mortgage loans – 5.1% (1% less than in 2016). By all types of loans (in terms of number), in the period under review, payments were overdue for 8.4% of total loans (a year-on-year decrease of 1.4%).

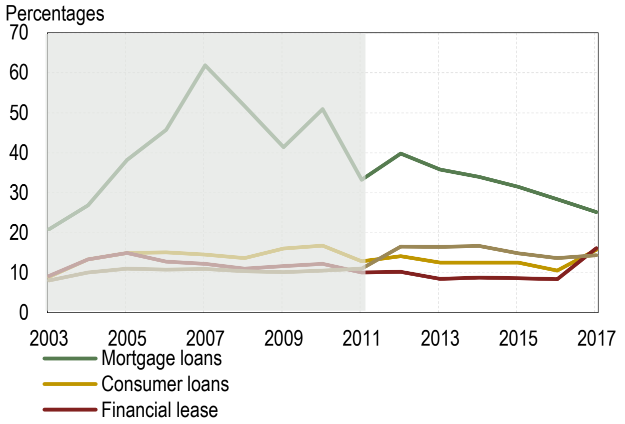
In terms of the value of loans granted in 2017, loan recipients within the 30-39 age group accounted for the largest share

Distribution of the number and value of household loans (at the end of 2017) and of the value of new loans granted in 2017 by average age of adult members in a household



Households spared a larger share of their income for repayments of financial lease and consumer loans

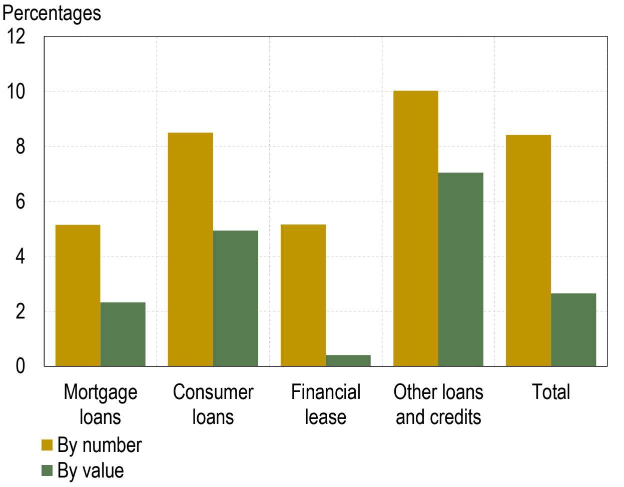
Share of household income for the repayment of a specified type of loan



Note: Data for the periods referred to against a different-colour background are not compared due to methodological changes, while the data for 2011 and 2012 should be compared with a margin (see Methodological Notes).

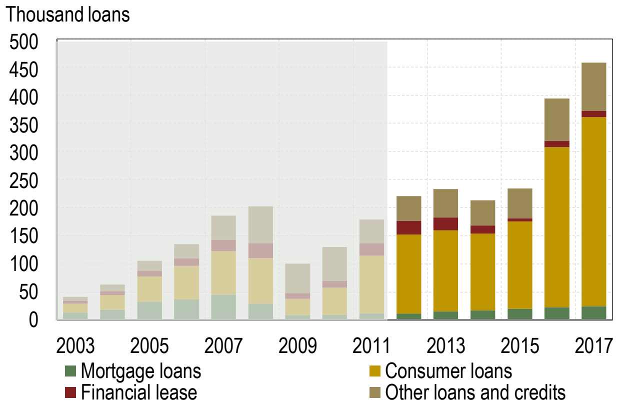
In terms of number, smallest share of payments were overdue for mortgage loans, while in terms of loan balance – financial lease loans

Average annual share of the number of loans with payments overdue and balance in 2017



The number of new mortgage loans granted rose by 18% in 2017

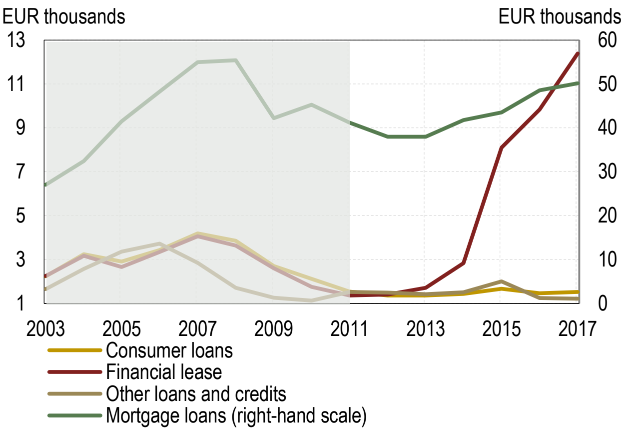
Number of loans granted over the year by type of loan



Note: Data for the periods referred to against a different-colour background are not compared due to methodological changes, while the data for 2011 and 2012, as well as for 2015 and 2016 should be compared with a margin (see Methodological Notes).

The initial amount of new financial lease loans grew at a rapid pace

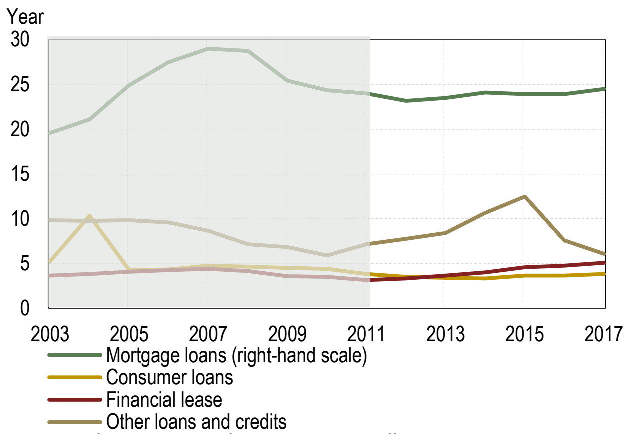
Average size of loans granted over the year



Note: Data for the periods referred to against a different-colour background are not compared due to methodological changes, while the data for 2011 and 2012 should be compared with a margin (see Methodological Notes).

The average maturity of new mortgage and consumer loans was becoming longer

Average weighted repayment period for new loans granted



Note: Data for the periods referred to against a different-colour background are not compared due to methodological changes, while the data for 2011 and 2012 should be compared with a margin (see Methodological Notes).