

Housing market from the central bank perspective – bubble or not (yet)?

Realitné fórum

Prezentácia je názorom autora a nemusí sa nevyhnutne zhodovať s oficiálnym stanoviskom NBS.



Economic and monetary
analyses department



Austria Trend hotel
Bratislava, 7.11.2019

Central bank

- Monetary policy
- Macroprudencial policy



Interest
rates,
demand for
loans

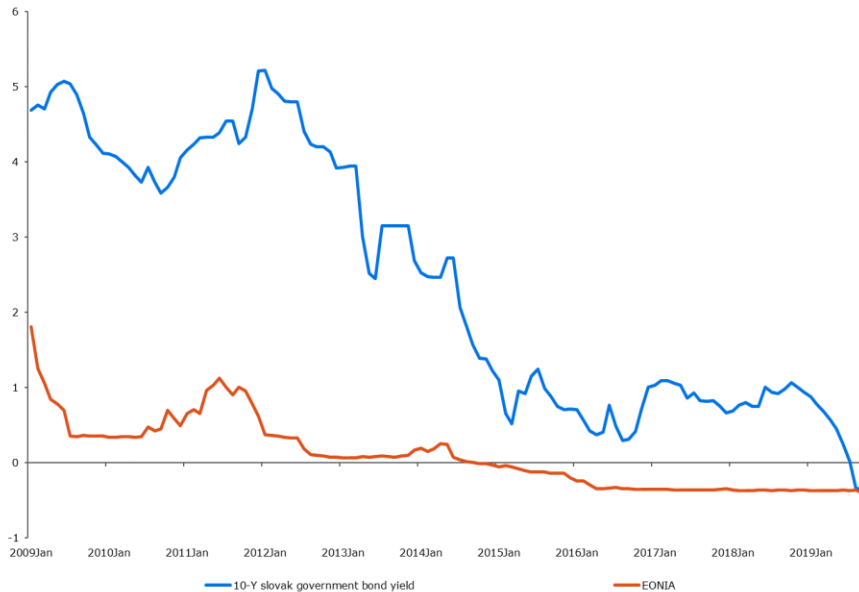


Real estate
market

Market interest rates

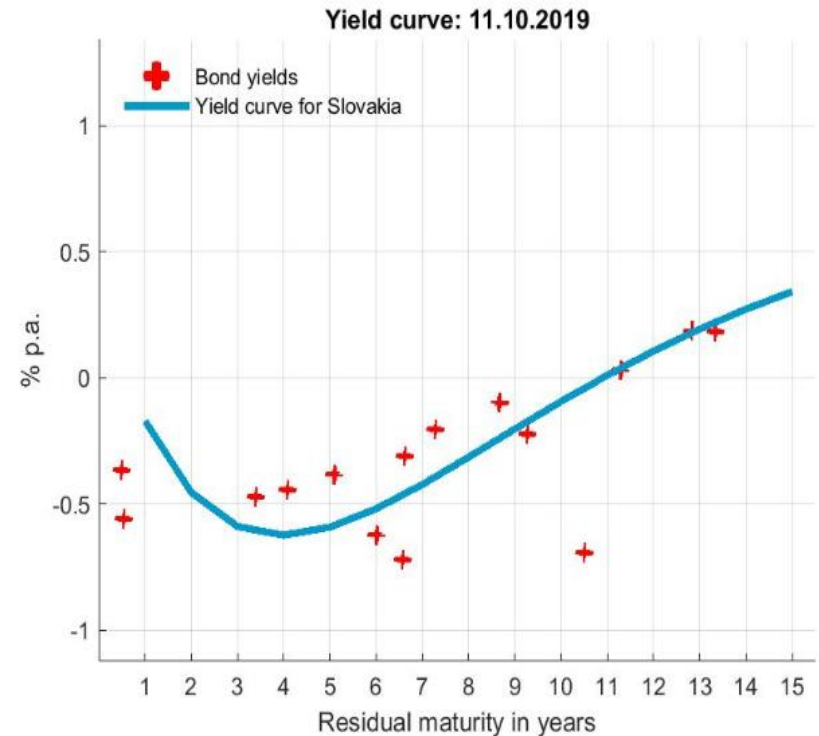
- Overall decline in interest rates worldwide
- Where to invest at current low interest rates environment from investor's (banks, households) perspective?

Market interest rates (% p.a.)



Source: ECB

Slovak yield curve

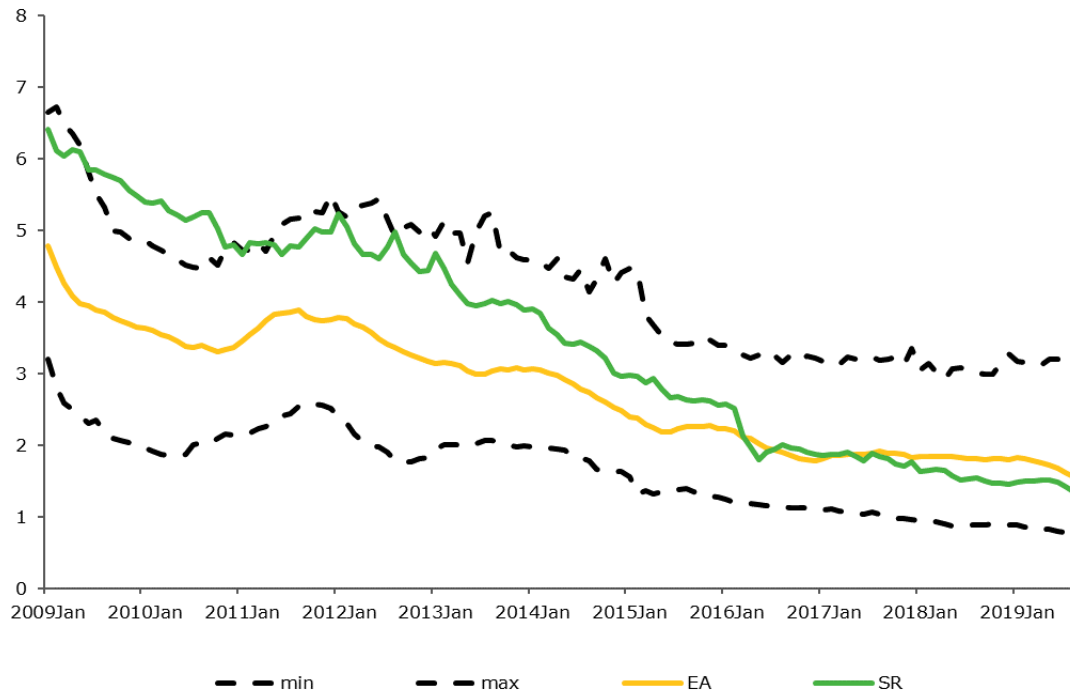


Source: NBS calculations

Interest rates on loans to households

Significant decline in market and customer's interest rates caused by loose monetary policy (effect of non-standard monetary policy measures)

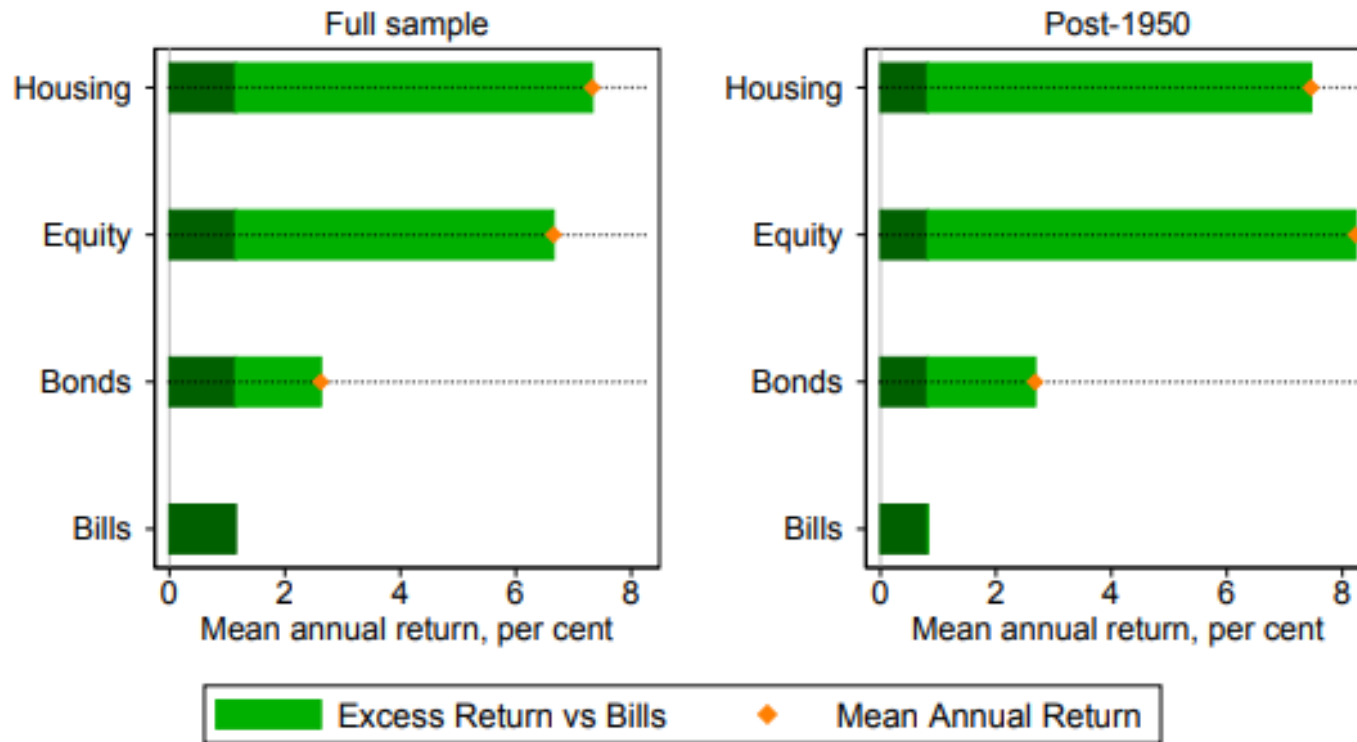
Interest rates on loans for house purchase (% p.a.)



Source: ECB

Very long-term returns

- Housing investment return comparable to equities, even though somewhat lower in post 1950 period.
- Do people know it?

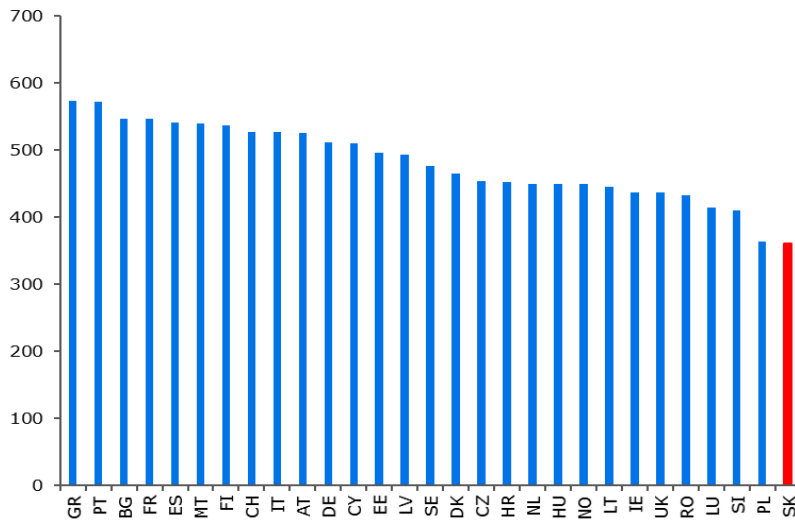


Source: Jordá et al (2018) The rate of return on everything, 1870-2015

Demand for housing – where does it come from?

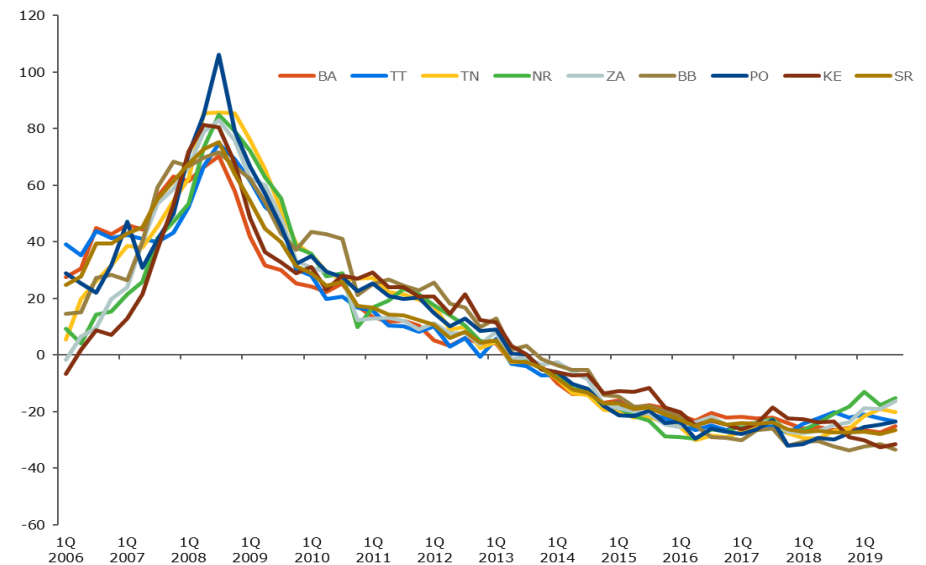
- Low housing stock
 - Low indebtedness of households (not valid anymore)
 - Low interest rates
 - Rising income
- ➔ Increase in affordability

The number of apartments per 1000 inhabitants



Source: OECD database

Affordability index

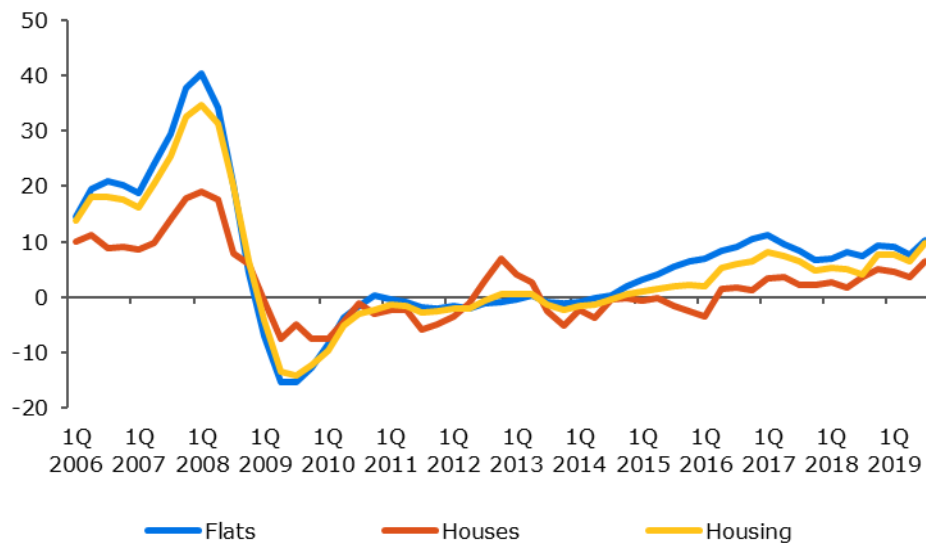


Source: NBS calculations

House prices and loans to households

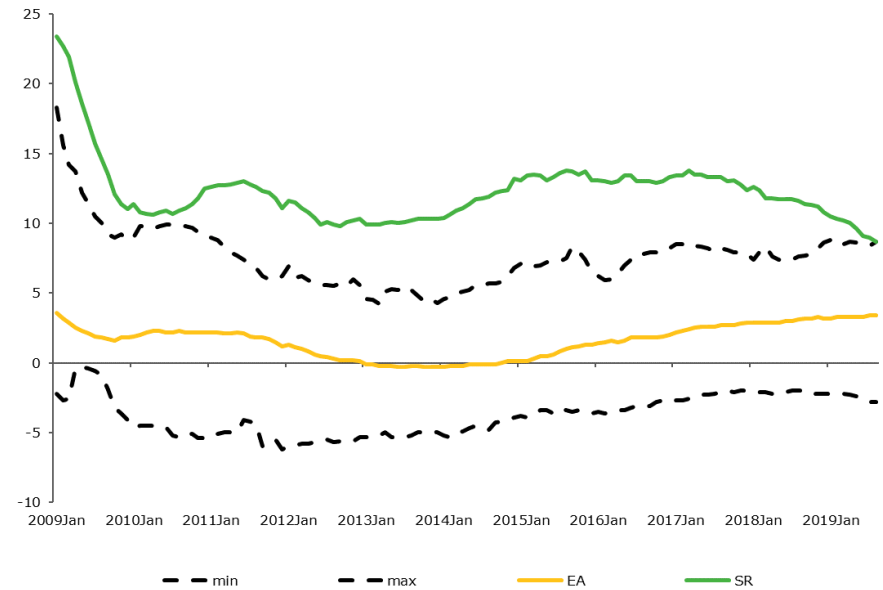
- Rising house prices
- Financed by loans
- Loans to households growth fastest within EA countries for last decade

House prices (yoy in %)



Source: NBS

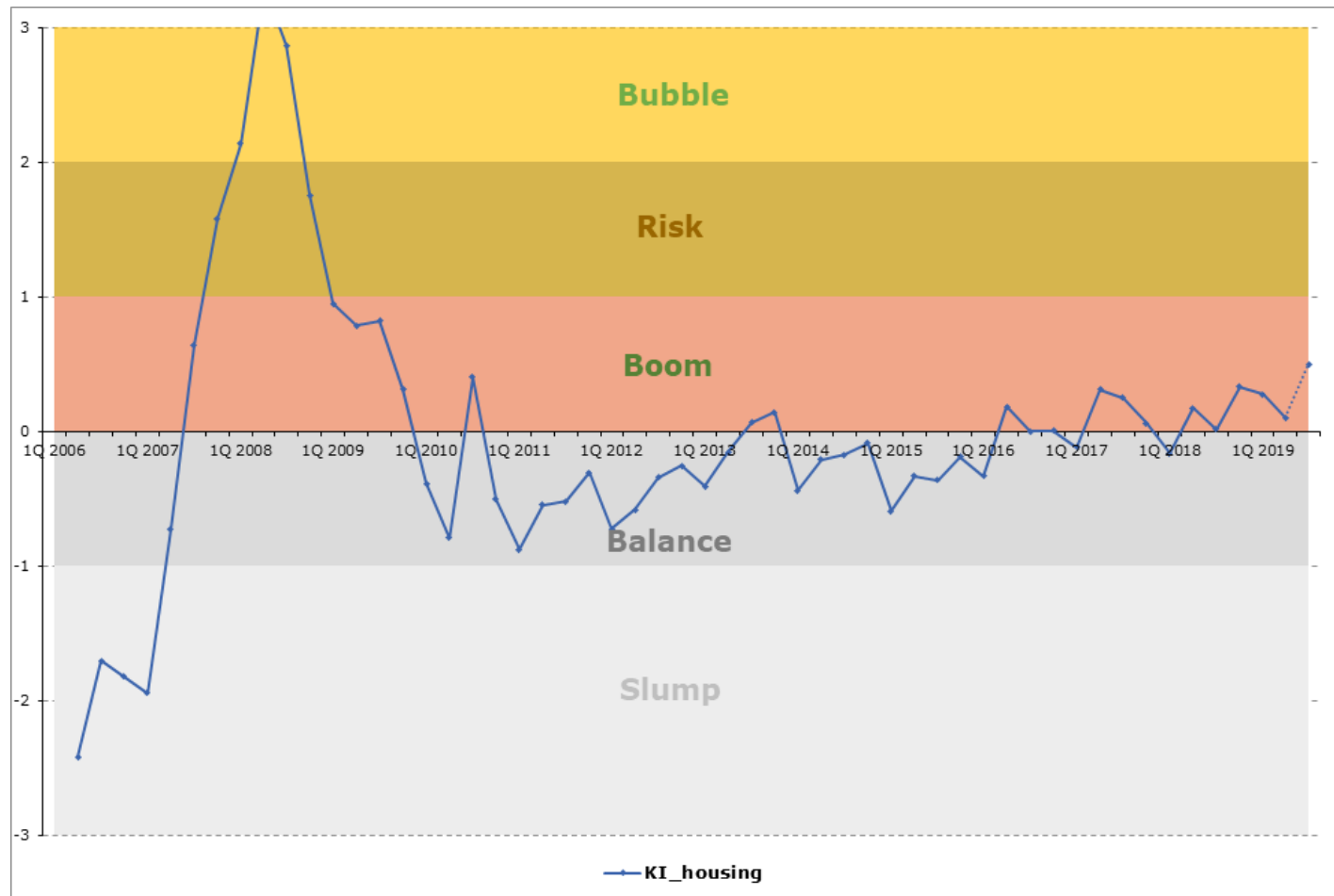
Loans to households (yoy in %)



Source: ECB

Bubble or not?

Composite indicator

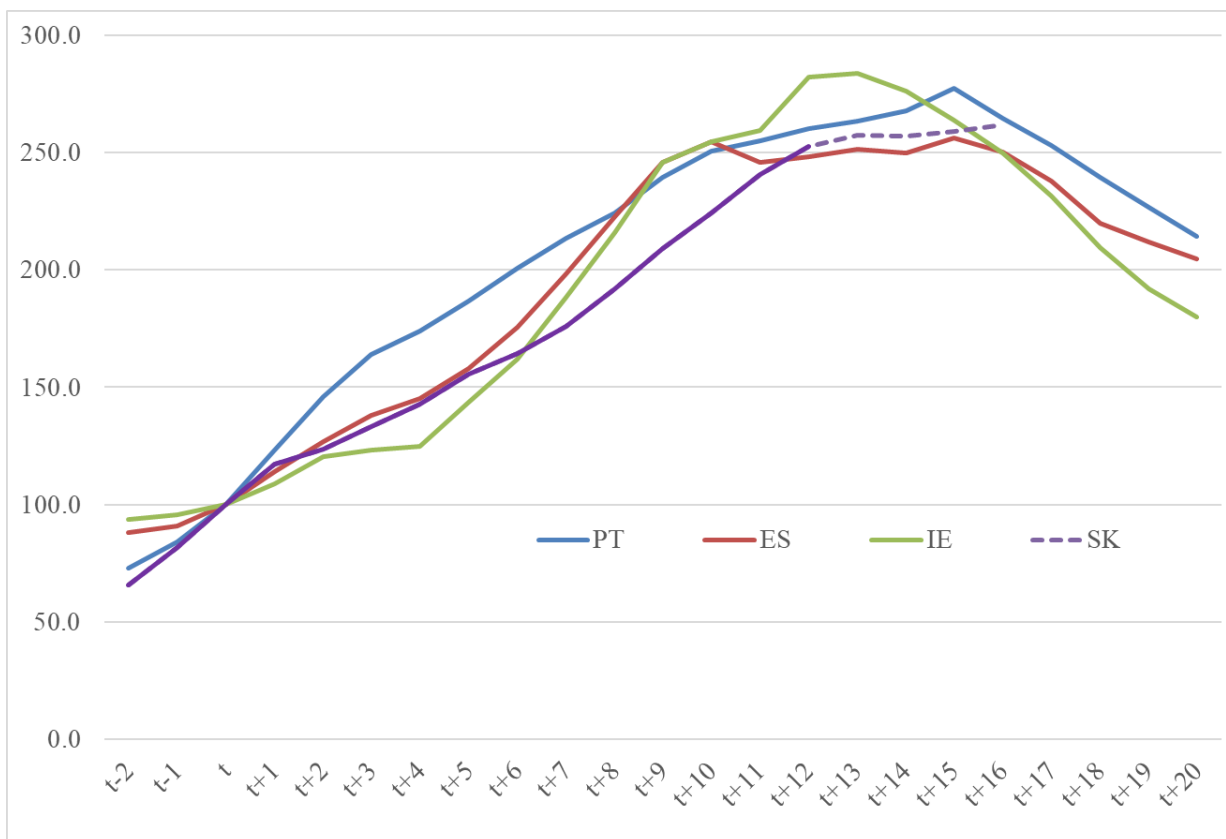


Source: NBS

What we have learnt from other countries?

- Credit boom in some european countries before crisis. Similar pattern for Slovakia.

Loans to households (index)

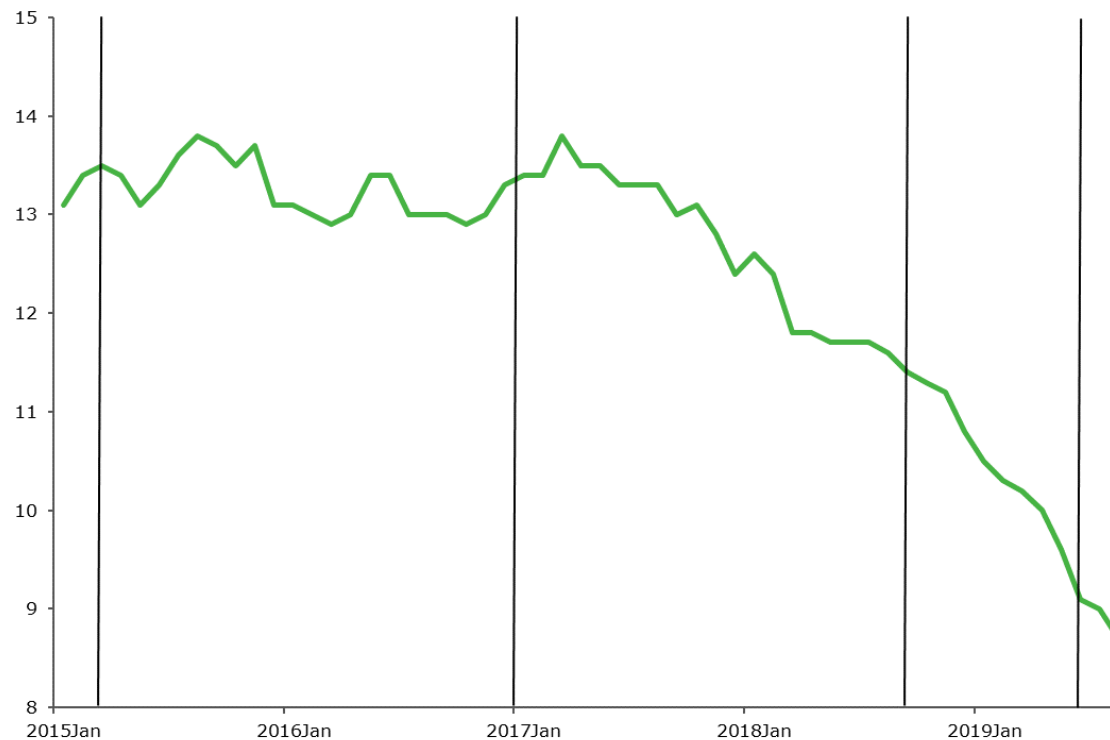


Source: ECB, NBS calculations.

Macropru measures

- In order to curb excessive credit growth, the NBS introduced several macropru measures. Recent deceleration in credit growth has proved the measures were to some extent successful.

Loans to households dynamics (yoy in %)



Source: NBS

Thank you!

Background slide

Medium-term forecast MTF-2019Q3

	Actual	MTF-2019Q3			Diff. MTF-2019Q2		
	2018	2019	2020	2021	2019	2020	2021
GDP	4,1	2,5	2,4	2,7	<i>-0,8</i>	<i>-0,8</i>	<i>-0,1</i>
HICP (average)	2,5	2,7	2,4	2,2	<i>0,1</i>	<i>-0,1</i>	<i>-0,1</i>
Nominal wages	6,2	7,7	5,7	5,1	<i>1,0</i>	<i>-0,4</i>	<i>-0,4</i>
Real wages	3,6	5,0	3,2	2,8	<i>1,0</i>	<i>-0,3</i>	<i>-0,4</i>
Employment ESA	2,0	1,3	0,3	0,3	<i>0,1</i>	<i>-0,3</i>	<i>-0,2</i>
Unemployment	6,5	5,9	6,2	6,3	<i>0,0</i>	<i>0,3</i>	<i>0,2</i>