



**MICROFINANCE CENTRE**

# **Measuring over-indebtedness**

## **EU indicators**

**Brussels, December 12, 2014**

# **A lot of information available**

- Various institutions
  - *Eurostat*
  - *European Central Bank*
  - *Eurobarometer*
  - *World Bank*
- Ad-hoc modules/regular data collection
  - *Eurostat OID module in 2008*
  - *Eurostat SILC indicators - annually*
  - *ECB Household Finance and Consumption Survey – bi-annually*

## ***A variety of indicators already collected***

- Macro-economic level and micro/household level
  - *Gross household debt relative to income*
  - *Debt service to income ratio per household*
- Objective/subjective measures
  - *Indicators of the amount of debt relative to income or assets*
  - *Perceptions of debt burden*
- Cross-sectional and longitudinal data
  - *Multiple countries, data series*

## Map of indicators

	Eurostat	World Bank	
Macroeconomic level	Gross debt-to-income ratio of households	Non-performing loans	

		Eurostat SILC module	ECB HFCS	Eurobarometer
Household-level	Objective	Presence of arrears	Debt-to-disposable income or assets	
	Subjective	Debt burden		At risk of over-indebtedness

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	Eurostat	World Bank	
Macroeconomic level	Gross debt-to-income ratio of households	Non-performing loans	

		Eurostat SILC module	ECB HFCS	Eurobarometer
Household-level	Objective	Presence of arrears	<ul style="list-style-type: none"> <li>- arrears on mortgage or rent</li> <li>- arrears on hire-purchase or other loans</li> <li>- arrears on utility bills</li> </ul>	
	Subjective	Debt burden		er- indebtedness

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Macroeconomic level	Gross debt-to-income ratio of households	Non-performing loans	

		Eurostat SILC module	ECB HFCS	Eurobarometer
Household-level	Objective	Presence of arrears	Debt-to-	
	Subjective	Debt burden		

**- financial burden of housing cost**

**- financial burden of the repayment of debts from hire purchases or loans**

# Map of indicators

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		Eurostat SILC module	ECB HFCS	
Household-level	Objective	Presence of arrears	Debt-to-income or assets	<ul style="list-style-type: none"> <li>- debt to income ratio</li> <li>- debt service to income ratio</li> <li>- debt to asset ratio</li> </ul>
	Subjective	Debt burden		At risk of over-indebtedness

## ***Data limitations***

- Several databases, impossible to carry out in-depth analysis of all indicators
- Some data cover only selected countries
- Mixture of measures related to credit and non-credit commitments
- Incomplete set of measures to assess credit-related over-indebtedness
- Plenty of data, but only statistical analysis



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		<b>Eurostat SILC module</b>	<b>ECB HFCS</b>	<b>Eurobarometer</b>
Household-level	Objective	Presence of arrears	Debt-to-disposable income or assets	only Euro area countries
	Subjective	Debt burden		At risk of over-indebtedness

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- arrears on **mortgage or rent**
- arrears on hire-purchase or other loans
- arrears on utility bills

- financial burden of **housing cost**
- financial burden of the repayment of debts from hire purchases or loans

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		Eurostat SILC module	Eurostat SILC module	Eurostat SILC module
Household-level	Objective	Presence of arrears	<div style="border: 1px solid black; border-radius: 15px; padding: 10px; width: fit-content;"> <ul style="list-style-type: none"> <li>- arrears on <b>mortgage</b> or <b>rent</b></li> <li>- arrears on <b>hire-purchase</b> or <b>other loans</b></li> <li>- arrears on <b>utility bills</b></li> </ul> </div>	
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## **Ways forward**

- Separate credit-related measures from unpaid dues on other commitments (rent, bills)
- Credit related measures:
  - *add indicators on credit use (mortgage, hire purchase, consumer, business loans, credit/store card)*
  - *Add the indicator on all credit arrears - mortgage, hire-purchase and other loans*
  - *add indicator on financial debt burden of repayment of all credits - mortgage, hire purchase debts or other loans*

## ***Ways forward***

- Conduct more analysis, data mining of the existing data
- Collect lead indicators through one data collection engine
- Develop Debt Watch mechanism for monitoring over-indebtedness



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**Thank you!**