

4.3. CREDIT MONITOR: RAPID HOUSEHOLD LOAN GROWTH IN CIS + UKRAINE

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- › In the second half of 2018 loans to households continued to grow faster than loans to non-financial corporations throughout the CESEE region with exception of Hungary, Poland, and Turkey (see Table 4.6). Latvia is the only country where households continued deleveraging, which accelerated in the second half of 2018 – in November 2018 the country's loans stock shrank by 5.8% year over year. In the EU-CEE region as an aggregate household loans' growth rate remained robust and practically stable at around 6% year over year (see Figure 4.6). A growth rate has stabilised in the Western Balkans as well – at around 9% year over year.
- › CIS and Ukraine remain the leaders in terms of household loans accumulation – and at an increasing speed on top of that. In November 2018, household credit growth in the region reached 24.1% year over year – almost 4 p.p. higher as compared with June 2018. Particularly fast growth took place in Belarus and Ukraine, indicating a high risk of overheating in their banking sectors.
- › The situation in the non-financial corporations' segment has remained less favourable, with ongoing deleveraging in five countries. However, the tide seems to have turned as loans accumulation in most of the countries accelerated in the second half of 2018. Loans revival has been helped by the persisting low real interest rates in the EU-CEE, as well as in Albania, Bosnia and Herzegovina, North Macedonia, and Serbia. Very low real interest rates in Estonia, Latvia, and Bulgaria point to mounting risks of potential instability due to ultra-loose monetary policy.
- › The share of non-performing loans remained quite low in the EU-CEE with an exception of Bulgaria, Croatia, and Poland. Moreover, in the second half of 2018 the assets quality has been improving across the whole region apart from Bosnia and Herzegovina, Belarus, and Turkey.

Table 4.6 / Indicators of financial sector developments, December 2018

	AL	BA	BG	BY	CZ	EE	HR	HU	KZ	LT	LV	ME	MK	PL	RO	RS	RU	SI	SK	TR	UA	XK
Loans to non-fin.corporations, % yoy	-7.2	3.7	5.2	7.7	5.7	3.6	-1.1	14.8	-4.6	3.9	-5.0	5.9	4.5	7.6	6.3	7.8	10.5	-0.4	7.0	12.0	3.6	10.6
Loans to households, % yoy	3.8	7.3	11.2	28.4	7.6	6.3	4.6	5.8	16.8	8.0	-5.4	12.0	10.3	7.0	9.2	12.5	22.4	6.5	11.4	3.4	15.5	11.2
Real interest rate, CPI deflated, %	-0.8	-1.6	-2.3	4.1	0.1	-3.2	2.0	-1.8	3.6	-1.7	-2.5	4.1	1.6	0.6	-0.5	1.0	3.2	-1.4	-1.8	3.1	7.5	3.0
Non-performing loans (NPL), in %, eop	11.1	9.4	7.6	4.1	3.2	0.5	10.3	3.5	7.4	2.5	4.2	6.5	5.1	6.8	5.0	6.4	4.7	2.5	3.3	3.9	54.0	2.7

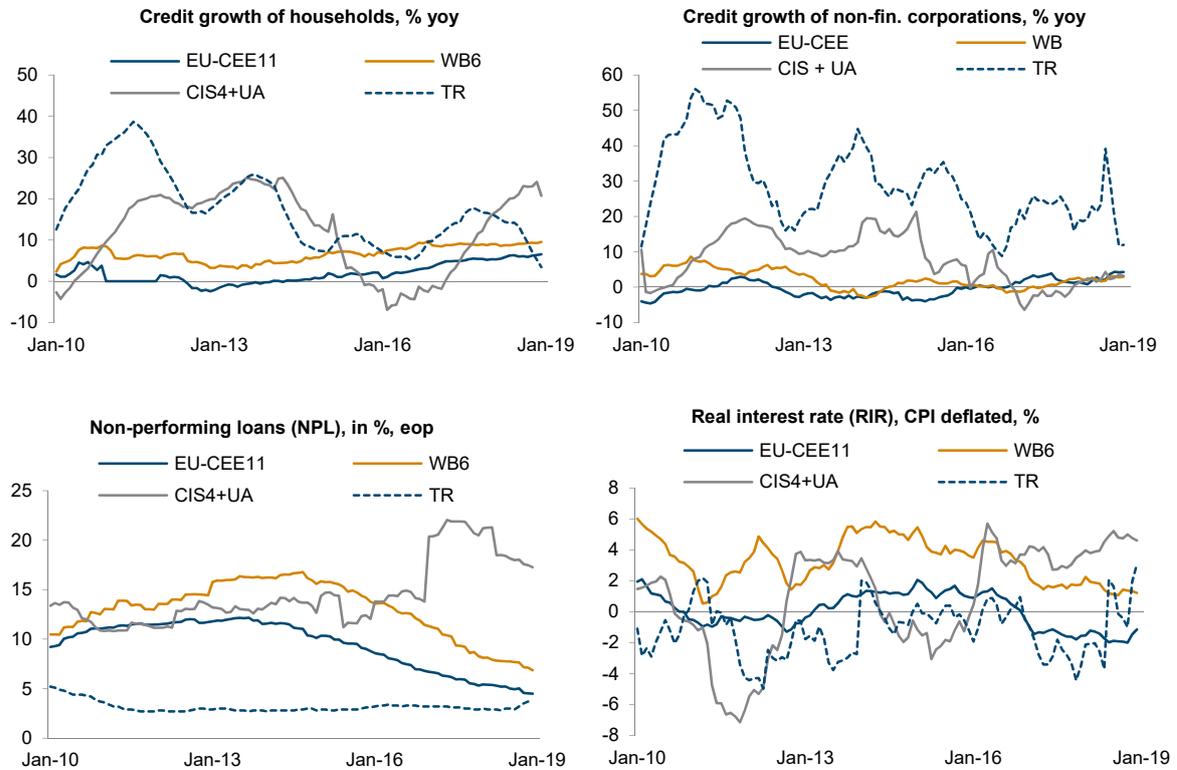
potential overheating/instability
relative to regional peers

underheating/stability
relative to regional peers

Note: The deeper the orange shading, the greater the potential instability/overheating relative to regional peers; the deeper the grey shading, the greater the stability/under-heating. BA, BY, HR, HU, LT, LV, ME, RS, SI, UA data for non-performing loans 2018 wiiw estimate.

Source: wiiw Monthly Database incorporating national statistics.

Figure 4.6 / Indicators of financial sector developments over time



Note: Simple averages for country aggregates.

Source: wiiw Monthly Database incorporating national statistics.