

QUARTERLY REVIEW OF EUROPEAN MORTGAGE MARKETS

European Mortgage Federation

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INTRODUCTION

For Q3 2018, the structure of the Quarterly Review has been slightly updated. Specifically, the Housing Market section has been subdivided into two categories, one on housing supply and the other on house prices. With this new approach, we hope to offer a broader overview of the housing and mortgage markets in Europe.

During the third quarter of 2018 mortgage and housing markets in Europe were characterised by a very moderate positive evolution in general terms. In this respect, we could say that stability was the dominant note for these three months. The amount of total outstanding residential mortgage lending in our EU sample¹ increased by 2.5% year-on-year (y-o-y), interest rates on average increased by 16 basis points (bps) over the same period, while house prices rose in aggregate terms by 5.44% y-o-y, the lowest value of the past eight quarters.

MORTGAGE MARKET

MARKET DEVELOPMENTS

Starting with northern Europe, we will first examine the Scandinavian countries which seem to have experienced a deceleration of mortgage outstanding with respect to the previous year.

The mortgage market in **Sweden** during this third quarter experienced a similar evolution to the previous one and recorded a stable 7% growth of net mortgage

lending on a yearly basis. Despite the positive evolution, the slowdown continues, with net growth a modest 6.3% compared to 6.6% in the previous quarter which is mainly due to the fall of house prices that started in autumn 2017 and the stricter amortisation requirements that were introduced in March 2018.

In **Finland** the growth rate of total outstanding mortgage lending remains positive, however the growth rate has also been declining slightly during the past quarters. In 2018 new housing loan drawdowns in the country grew by 2% compared to the same quarter of 2017.

Denmark experienced a similar evolution. The volume of total outstanding residential mortgage loans increased at a moderate quarterly pace of 0.2% in the third quarter of 2018. Similarly, the total outstanding stock of residential mortgage loans was up by 1.6%. Moving to the Central European countries the situation is somewhat different, as most of these markets are still experiencing positive growth.

In **Germany** gross residential lending increased by 6.7% in the first three quarters of 2018 with respect to the same period in 2017. Following the same path, the volume of residential loans outstanding also increased by 4.7%. This growth of residential lending was mainly driven by the high demand for houses and apartments. At the same time, demand has been fuelled by favourable market conditions for house purchase, positive macroeconomic momentum and favourable financing conditions that have characterised the last few years.

¹ In Q3 2018 the sample for the Quarterly Review included BE, CZ, DE, DK, ES, FI, FR, HU, IE, IT, NL, PL, PT, RO, SE and UK. (i.e. around 95% of the total outstanding mortgage lending in the EU28 in 2017).



Gross residential lending in the **Netherlands** also reflects the positive growth experienced by the central markets - it grew by 9.5% y-o-y.

In **Belgium** the number of new mortgage loans increased by almost 13% as compared to the third quarter of 2017. Gross residential lending also increased by almost 18%. The increase in the number of credits granted was noticeable on almost all levels: loans for the purchase of houses (+13.9%); loans for housing construction (+20.6%), loans for purchase and renovation (+22.7%) and loans for renovation (+7.3%). The level of remortgaging also increased by about 10.7% as compared to the third quarter last year. If we leave aside remortgaging, the volume of mortgage loans granted Q3 2018 reached an all-time high. This positive evolution is mainly due to the low interest rate environment.

Among the Central and Eastern European countries different speeds and trends are discernible.

In **Hungary**, against the background of a positive economic context with GDP growing by almost 5% on yearly basis and agriculture, industry and construction with positive indicators, the mortgage market experienced important developments. The volume of newly issued mortgage loans grew by 35% y-o-y and by 4.5% quarter on quarter (q-o-q). Similarly, in the Czech Republic, the mortgage market registered a healthy 7.5% y-o-y increase, mainly due to an anticipated tightening of mortgage underwriting criteria from the Czech National Bank (more information in the next section), which triggered a surge in loan applications before ahead of the entry into force of the new rules in September.

In **Romania** a positive evolution of the mortgage market was also observed, albeit at a slower pace than in previous quarters, with an increase of 2.6% q-o-q. Compared to the same quarter last year the stock of mortgage loans increased by 12%. However, gross residential lending slowed down, decreasing by almost 6% y-o-y. It is also important to note that new mortgage loans were almost entirely granted in local currency (99%).

In **Poland** the mortgage market also lost some momentum, the number of new mortgage loans decreased around 3% compared to the previous quarter. Despite this reduction, the average amount of loans continues to grow. In Q3 2018 the average mortgage loan was 2.1% larger than in the previous quarter. This increase is not only the result of rising property prices, but also due increased demand for larger apartments. These trends occurred in a positive macroeconomic environment characterised by rising wages, low unemployment and interest rates and therefore contributed to fuel demand and the good quality of loan portfolios, with only 2.51% of loans recorded as non-performing. It is also worth highlighting that the share of property purchases funded by customer's own savings remains exceptionally high, reaching 70% in the biggest Polish cities.

Moving to the South in **Italy** during the third quarter of the year the stock of outstanding residential lending as well as the gross residential lending grew by 1.3% and 4.4% respectively y-o-y. This positive performance was mainly driven by favourable conditions on mortgage loans and low house prices.

On the Iberian Peninsula, in **Portugal**, the amount of total outstanding residential mortgage lending decreased by 0.6% y-o-y, but increased slightly compared to the previous quarter. The growth of gross residential mortgage lending was much more significant, since it increased by 18.3% compared to Q3 2017 and is approaching pre-crisis levels. This remarkable growth was mainly due to the

improvement of the economic conditions in the country, the low interest rates and the increase in consumer confidence levels. However, this last factor is the one that contributed the least since demand grew only very slightly in the last months. Furthermore, it is important to signal the differences across regions, since despite mostly all of them having experienced a small but positive increase following the improvement of the general economic outlook, some regions such as Oporto, Lisbon or the Algarve have experienced a more remarkable increase of demand. In **Spain** the positive macroeconomic context, despite GDP growing at a slower pace than in previous quarters, favoured a positive evolution of the mortgage market. In this context, gross residential lending increased by 11% on a y-o-y basis. However, a 17.2% decrease is observable in quarterly terms. This important decrease can be explained mainly by seasonal reasons. In Q3 2018, outstanding residential lending (Q2 2018 last data available) increase in quarterly terms for the first time since the beginning of the deleveraging process. However, on a yearly basis it continues to decrease, although signs of recovery are discernible.

Finally, in the UK and Ireland, very different evolutions can be observed.

The Irish mortgage market also experienced the positive trend that characterised much of Europe. In **Ireland** data shows that mortgage approval volumes rose by 5.6% y-o-y. Mortgage switching drove most of the increase with mortgage approvals for property purchase falling by 1.4%. However, mortgage drawdown volumes grew by 14.4% compared to the same quarter of 2017, the same trend was followed by purchase mortgage drawdowns which rose by 8%.

On the other hand, in the **UK** residential house purchase lending fell by 2.6% (by volume), marking Q3 2018 as the third consecutive quarter of decline, following 0.8% and 1.3% in Q1 and Q2 respectively. However, if we look at the total outstanding mortgage lending an increase of 1.3% is observed. This is not surprising if we look at the general economy development, since UK GDP continued to pick up in Q3, rising by 0.6%, up from 0.4% growth in Q2. The increase was seen across all sectors, but most significantly from the services sector. Business investment remains weak, however, falling by 1.2% in the quarter. Meanwhile inflation remained steady and above the target at 2.4%.

REGULATION & GOVERNMENT INTERVENTION

Several changes in the regulatory environment were introduced in 2018.

In July in Poland, the Parliament adopted regulation on government support for rental costs. The act provides the possibility of subsidising households' rent for a maximum period of 9 years. In order to be eligible for this programme the household must meet an income requirement – a maximum average monthly income not higher than 60% of the average income for a single-person household and an additional 30 percentage points for every additional person in the household. The household must be able to meet their rent payments in a timely fashion. An important limitation is that subsidies can only be granted if the tenant rents an apartment in a new building. All payments will be due only to the first tenant who has occupied the flat: subsequent tenants who occupy this flat will no longer be able to take advantage of this subsidy.

In **Portugal**, the government issued a new macroprudential measure which applies to loan agreements concluded as of 1 July 2018 to counterbalance the effects of supply and demand trends in housing and mortgage markets. This macroprudential

measure covers all credit institutions and financial companies registered on the Portuguese territory and authorised to grant mortgage credit. This macroprudential measure establishes three types of caps: one on the LTV ratio; one of 50% on the DSTI (debt-service-to-income) ratio; and one on the original maturity of the loans.

As part of macro-prudential policy, in the **Czech Republic** the Recommendation pertaining to the management of risks associated with the provision of retail loans secured by residential real estate was updated on 1 October. The update confirmed the existing rules on the 90% LTV upper-limit and the 15% cap on new loans with an LTV between 80% and 90%. Moreover it defined new caps for income indicators, such as a max of 9 debt-to-Income Ratio and a maximum debt service to income ratio of 45%. These limits apply housing loans secured by real estate and non-purpose consumer loans granted to customers with a housing loan.

In the **UK** the government's autumn budget contains a handful of housing-related measures. The most relevant ones are those focused on stimulating first-time buyer (FTB) activity. Furthermore, the FTB stamp duty exemption was extended so now it includes the vast majority of FTBs, also those buying under shared ownership schemes. Finally, the Help-to-buy shared equity scheme has been extended too.

In **Sweden**, although no new regulation has been introduced, increasing household debt and house prices are heavily debated topics. The housing market, especially the rental market, is suffering from significant imbalances which might require political intervention in the form of new measures and new regulation. Similar discussions are occurring in **Finland** where household indebtedness continues to be one of the hot topics and new macroprudential tools are being considered. At the time of writing the Ministry of Finance has established a working group to consider different options to tackle this issue.

While the Central Bank of **Ireland** did not introduce any new measures during the third quarter of the year, it did however continue to revise the macroprudential mortgage measures. This measure has changed the proportion of loans permitted to exceed the LTI threshold for first-time buyers, second and sub-sequent home buyers. It also prescribed how lenders should value collateral for purchase-to-renovate mortgages. The data shows that during the first half of the year for FTBs the LTV and LTI were 79.6% and 3.1 times gross income respectively.

No new measures were introduced in **Denmark** either, however, the effects of the measures introduced during the first quarter of the year to tackle excessive household indebtedness can be observed. The Danish Ministry of Industry, Business and Financial Affairs recently indicated that the proportion of new risky mortgages has been significantly reduced since these new guidelines came into force.

In **Belgium**, in the region of Flanders, from 1 June 2018 the registration fees for house purchase were reduced. As a result of this, many customers postponed their house purchases to benefit from lower taxes. As a consequence, credit demand and the number of new loans granted from July onwards increased. No new regulation was introduced at national level.

Not during the third quarter, but at the time of writing some important measures and regulation have been adopted in three European countries, namely Romania, Spain and Hungary.

In October 2018 in **Romania** the Board of the National Bank of Romania (NBR) adopted a the regulation on certain lending conditions. According to the new

provisions, the maximum level of indebtedness cannot exceed 40% of the net income for Leu-denominated loans and 20% for foreign currency loans. The total level of indebtedness is measured using a Debt Service to Income ratio. The maximum level of indebtedness can be increased by 5% for FTB loans for owner-occupied dwellings. Measures to promote the sustainable growth of lending to households consist of: (i) softer rules on FTB loans for owner-occupied dwellings; (ii) non-applicability of the limit on the level of indebtedness for maximum 15% of each creditor's portfolio of new loans to households and (iii) reduction in banking bureaucracy when loans are granted. The regulation is not retroactive, meaning all loans signed before the entry into force of the Regulation are exempted from the new requirements. However, this does not apply to cases of remortgaging, implying the granting of a loan in addition to existing ones.

In **Spain** at the beginning of the last quarter of the year an important legal ruling was delivered. In mid-October the Administrative Division of the Supreme Court ruled against the statement of the Civil Court in terms of who was responsible for paying mortgage stamp duty ("Impuesto de Actos Jurídicos Documentados", AJD) – a tax paid by the buyer at the time of closing the sale and the loan – stating that it is the lender and not the borrower, which should bear the cost. The stir caused by this controversial decision forced the Court's Administrative Division to put the decision on hold and to call a plenary meeting, leaving a committee of 31 magistrates to discuss it. On 6 November the Spanish Supreme Court returned to its starting point and determined that the borrower and not the lender must pay the AJD. As a reaction against the Supreme Court's decision, the Government has revised the current legislation to ensure that the AJD tax is paid by the lender from now on. This series of events has resulted in legal uncertainty which has made it even more necessary to achieve clarity on who is responsible for each mortgage cost and on the future law that will regulate mortgage credit contracts. In addition to this, regarding monitoring and managing of the business cycle, the Spanish Government is planning to introduce new macroprudential measures through the appointment of a specific Committee within the Bank of Spain aimed to mitigate systemic risk and provide financial stability, also establishing credit constraints if necessary.

Finally, in **Hungary** on 1 October a new regulatory instrument (Payment-To-Income – PTI) was introduced by the National Bank of Hungary. The new rule establishes a maximum PTI (calculated on monthly basis) ratio of 25% for loans with a variable interest or fixed interest of less than five years and 35% for mortgages with a five to ten year period of fixed interest. Despite these changes, the maximum PTI ratio remains unchanged at 50% for those mortgages with a fixed interest rate period of above ten years. As a result of the new rules the proportion of newly issued variable mortgage loans fell significantly in the latest period.

HOUSING MARKET

HOUSING SUPPLY

During the third quarter of 2018, housing market across the EU presented a heterogeneous picture, despite the fact that most countries are experiencing similar frictions between supply and demand.

In **Sweden**, construction figures were higher in Q3 2018 than in 2017 when figures reached a record level in almost 20 years. However, there is still a lack of housing, especially in large cities. Furthermore, that the indications are that construction figures in 2018 will be lower than in 2017, amplifying the country's



housing challenges. On top of availability, another important issue in the Swedish market is affordability, since new constructions are usually highly priced.

Housing supply in the rest of the Nordic countries followed a similar trend with a reduced number of new building permits issued and lower construction figures. The main cause of the slowdown has been the reduction in investor demand that was one of the main drivers in the past.

In **Germany** housing supply also lagged well behind demand. Despite that, the supply continues to grow quarter on quarter. Between January and September 262,800 dwellings permits were issued in the country, an increase of 2.3% compared to the same period in 2017

The situation in the **Netherlands** is similar too, with supply lagging, since the number of new constructions is very limited. As a result, there is a housing shortage of 242,000 homes, which represents a 3.25%. In this sense the government is focused on developing programs to stimulate housing construction.

Moving to the markets in Central and Eastern Europe, in **Poland** at the end of Q3 2018 there were around 803,000 dwelling under construction. During this same period, nearly 47,000 dwellings were completed, which means an increase of almost 2% with respect to the previous quarter. The number of dwellings started exceeded 60,000 units, an increase of 10% quarter on quarter. Despite this positive context, the number of building permits issued decreased by 3.3% on a quarterly basis. The general outlook is positive, but increasing land prices and the increase in construction costs have created some frictions between supply and demand. In the **Czech Republic** the housing market is still characterised by low numbers of new construction permits and long procedures for issuing construction permits for new projects. Moreover, there is little appetite amongst real estate owners to sell their dwellings when they buy a new one, as they can be easily converted into passive income by renting them out. A possible partial solution to this may be delivered by the above-mentioned revision to the recommendation which could make unsustainable for many households to hold 2 or more dwellings financed by 2 or more mortgage loans.

In **Romania**, housing supply is experiencing important momentum. In Q3 2018, the residential construction index exceeded the peak reached prior the economic crisis. However, this index has just entered a downward trend, pointing to a potential reduction in housing supply for the coming months. Thus, in the first eight months of 2018 compared to the same period last year, the volume of construction works for residential buildings decreased by 31%. The number of transactions recorded in the first nine months also decreased by approximately 13% compared to the same period in 2017.

On the other hand, in **Hungary** housing supply seems to be diminishing. During the third quarter the number of building permits issued decreased with respect to the same period of 2017. The main reason for this is that the VAT on new dwellings will be increased from the preferential 5% to 27% from January 2020 onwards. However, the number of completed dwellings increased by 28% on a quarterly basis for the country and by 30% in the city of Budapest.

Remaining with Southern Europe and starting in the Iberian Peninsula, the growth of **Portugal's** housing and mortgage markets have been contained for the past years. One possible explanation for this is that despite the slight

increase in demand there has been a decrease in the number of new listings, resulting in a reduction in the number of transactions. In this sense, the rental market has experienced a similar trend since demand has increased but new listings are scarce.

Moving to **Spain** and on the supply side, the number of housing starts amounted to over 75,000 dwellings from January to September, representing an increase of 24.1% compared to the same period of the previous year. In terms of housing completions, the number of completed dwellings also rose by 19.6%. Despite the positive performance of the last quarters, the figures are far from those recorded before the financial crisis.

Finally, in **Ireland** housing supply is on a positive trajectory. An increase in completed dwellings of 23.4% year-on-year was recorded in Q3 2018, reaching almost 4,700 units. Volumes grew by 22.8% in Dublin and by 27.6% in the surrounding area. This significant increase in supply is mainly due to the construction of multi-unit houses which accounted for almost 61% of all completions. The number of buildings started also increased by 60.2% compared to Q3 2017. Finally, in this context of growth, the change in the number of transactions is also positive. In Dublin sales grew by 3.3% y-o-y and by 2.7% on average in the country. But despite the important positive development, construction levels remain well below demand.

HOUSE PRICES

Regarding house prices the situation remains very similar to the one that characterised the second quarter of 2018. Since imbalances between supply and demand are still present, a general upward trend in prices can be observed, with an average increase of 5.53 percentage points.

Germany is a good example of such an increase in property prices. Prices for owner occupied houses increased by 8.1% compared to Q3 2017. The price of single-family houses also increased by 8.7%, while condominiums grew by 6.1% y-o-y. These price increases are mainly due to imbalances in the market, since supply continues lagging well behind demand, especially in the main cities and urban areas.

Also in the **Netherlands** there is a general upward trend in prices. Indeed, house prices in large cities are higher than elsewhere. Over the last 12 months, the national house price index has grown by 9.2%, while in the capital, Amsterdam, prices have risen by 13.1%. Prices in Amsterdam, Rotterdam, The Hague and Utrecht have increased 42, 16, 20 and 21 percentage points respectively more than the country average, reflecting the heterogeneity in the market.

In **Poland** house price inflation is also occurring, however the reasons behind price increases are different. The growing demand for dwellings and rising constructions costs have resulted an increase in transaction prices, specially in the biggest cities of the country. Growing prices were registered in both primary and secondary markets. However, part of this increase was caused by a growing number of transactions of dwellings of a higher quality or in a better location. In the primary market, the city of Lublin occupies first place with an increase of 7.8% q-o-q, followed by Bialystok (+5.9%) and Gdynia (+4.7%). On the secondary market, Gdansk is the city that has experienced the highest rise in prices with an 8.4% increase q-o-q, Lodz (+7.5%) and Bydgoszcz (+5.9%) take second and

third place respectively. In the capital city, Warsaw, the increase of prices was moderate in the primary and secondary markets with a 4.5% and 2.2% rise.

House prices in **Ireland** experienced an increase of 8.2% compared to the same quarter of 2017. Some areas experienced higher rises, for example, prices outside Dublin rose by 10.8% while prices in the capital city rose by 8.2%, becoming the 14th consecutive quarter in which prices outside Dublin have risen faster than those in the capital.

In **Denmark** house prices rose by 3.6% on a yearly basis and the price of owner-occupied apartments increased by 3.1%. However, the price of single family houses remained almost the same while owner-occupied apartments decreased by 1.2%. Signs of dampening in the market for this kind of apartment followed several years of strong price increases. This must be seen in the context of a set of new guidelines for lending to highly indebted households.

The market in **Romania** has also been characterised by an increase in house prices. However, the pace of growth was slightly slower in Q3 2018. In this sense, local banks expect real estate prices to drop moderately in the last quarter of the year. As in Hungary, where prices were 10% on the second quarter of the year (last data available) compared to 2017. In the **Czech Republic** house prices increased by 9% y-o-y, with high demand outweighing supply due to improved macroeconomic fundamentals and to perceived good investment opportunities. House prices, especially in Prague, have reached such high levels that new projects are not affordable any more for the majority of the population and are considered mainly by investors. High prices are off-set by rental opportunities, driven by short-term rentals, such as Airbnb, which are not regulated by the Czech lawmakers.

Belgium also experienced price inflation in Q3 2018. House prices increased by 2.7% compared to the second quarter. However, the regional differences within the country are significant. Despite prices going up in all three regions, in Flanders prices increased by 2.2% q-o-q and in Brussels by 2.0%. The smallest increase was recorded in Wallonia at 0.5%. The average price of apartments also went up by 0.8% on a quarterly basis, although in Wallonia apartment prices decreased slightly during this quarter. A similar situation was observed in the **UK** during the third quarter, where house prices increased by 3.2%. However, important differences among cities can be found, as demonstrated by London, where prices fell by 0.5% y-o-y.

Moving now to southern countries, in **Spain** the housing market experienced the 14th consecutive quarter with house price increases, with an annual increase of 3.2%. However, price trends among regions and cities differed, with two recovery speeds. Some regions such as Madrid (8.3%), the Balearic Islands (5.2%) and the Canary Islands (5.2%) have recorded increases in house prices since late 2014, while other Spanish regions, for example the Basque Country, recorded a decrease in prices by 1.2% in Q3 2018. In **Italy** house prices dynamics in the second quarter of the year (latest available data) continued on a positive trajectory, albeit at a moderate rate of only 0.8 percentage points q-o-q. In this context, the price of existing dwellings increased by 1.75% while the price of new dwellings increased by 0.7%.

Finally, in **Sweden** house prices during the third quarter continued to fall slightly, ranging from -1.4% for single-family houses to -6.4% for apartments, both on

yearly bases. In **Finland** prices also decreased by almost 0.5 percentage points. These are the only two countries in our sample with deflationary pressures.

MORTGAGE INTEREST RATES

During the third quarter of 2018, interest rates did not experience remarkable changes. The average interest rate for the countries in our sample has been around 2.30% since the third quarter of 2017.

Taking a closer look at the different countries, it is possible to distinguish those which have experienced slight increases in their weighted average interest rate from those with small increases.

For Q3 2018, **Denmark** is the country with the lowest average interest rate on mortgages. It experienced the sixth quarter of decreases and the interest rate reached 0.79%. Analysing the market share, mortgage loans with long fixed interest rate periods still constitute the largest share of mortgage loans. In this sense, loans with fixed interest rate periods of more than 5 years constituted 39.2% of the outstanding mortgage lending, which is 1.9% more than a year ago and 9 percentage points more than in 2014.

At the other end of the spectrum, **Romania** registered the highest average interest rate on housing loans of nearly 5.7%. The average mortgage interest rate rose by 0.66 percentage points compared to the previous quarter and by 2.07 percentage points compared to the same quarter in 2017. In this context, the share of loans granted with a variable interest rate continues to decrease, dropping by 13.85 percentage points on yearly bases. At the same time, the number of loans granted with fixed interest rate keeps growing, it increased by 0.33% for long-term new loans, by 4.8% for medium-term new loans and by 8.7% for short-term loans.

For the rest of European countries of our sample, the weighted average interest rates has remained relatively stable.

In **Germany** interest rates for mortgages have suffered a minimal decrease, but they stay more or less stable around past quarters weighted average. Same case in the **Netherlands** where the average mortgage interest rate has been stable on 2.30% for the last three quarters.

Also, in **Poland** interest rates remain unchanged; the National Bank maintained the reference rate on 1.5%, despite the growing inflationary pressure. The expectations are that interest rates will not change until the end of the year. Also in **Hungary** the Central Bank has maintained interest rates unchanged at 0.9% since May 2016. As a result of the regulatory incentives introduced in the country, namely, the PTI regulations for new mortgage loans and the national bond purchase program, at the end of the third quarter already more than 90% of newly issued mortgage loans were issued with a fixed interest rate. On the contrary in the **Czech Republic** the National Bank increased the referential rate twice in Q3 2018 from 1,00% to 1,50%. On the other hand this increase was not fully reflected in mortgage interest rates due to dramatic pricing competition, which impacted significantly margins of mortgage providers.

In **Italy** interest rates on short and long term loans remained stable during the third quarter. The average interest rate remained at around 1.80% while interest rates for short term loans marginally increased to 1.51%. The interest



rate for long term loans decreased to 1.93%. Mortgage interest rates in **Sweden** also remained stable in the third quarter of 2018, however, the Central Bank is planning to increase steering interest rates. A similar situation was observed in **Finland** where interest rates remained at historical low levels.

In the **UK** fixed and variable rates followed a different path during the third quarter of 2018. While fixed rates increased, variables rates fell by a slightly greater amount. However, both remained close to historical standards.

Only three countries experienced higher volatility in their interest rates during this third quarter, namely, the two Iberian countries and Ireland.

In **Portugal** interest rates reached historically low levels contributing to an increase in new gross residential mortgage lending. The variable rate for new loans was 1.33%, 0.8 percentage points lower compared to the second quarter

of the year. Moreover, the country experienced an increase in the number of loans granted with fixed interest rates.

In **Spain** mortgage interest rates continued to reflect the ongoing downward trend; the average weighted interest rate stood at 1.8%, representing a decrease compared to the previous quarter. In terms of consumer preferences, the mortgage portfolio showed a similar breakdown to the one in previous quarters, nearly 63% of new loans were granted at fixed interest rates.

Belgium, Sweden and France are also countries where the weighted average interest rates decreased slightly.

Finally, in **Ireland** interest rates decreased on both a quarterly and yearly basis. Regarding new mortgages issued, fixed rates accounted for almost 64%.

CHART 1A | COUNTRIES WHERE GROSS RESIDENTIAL LENDING HAS REMAINED BELOW 80% OF 2007 LEVELS

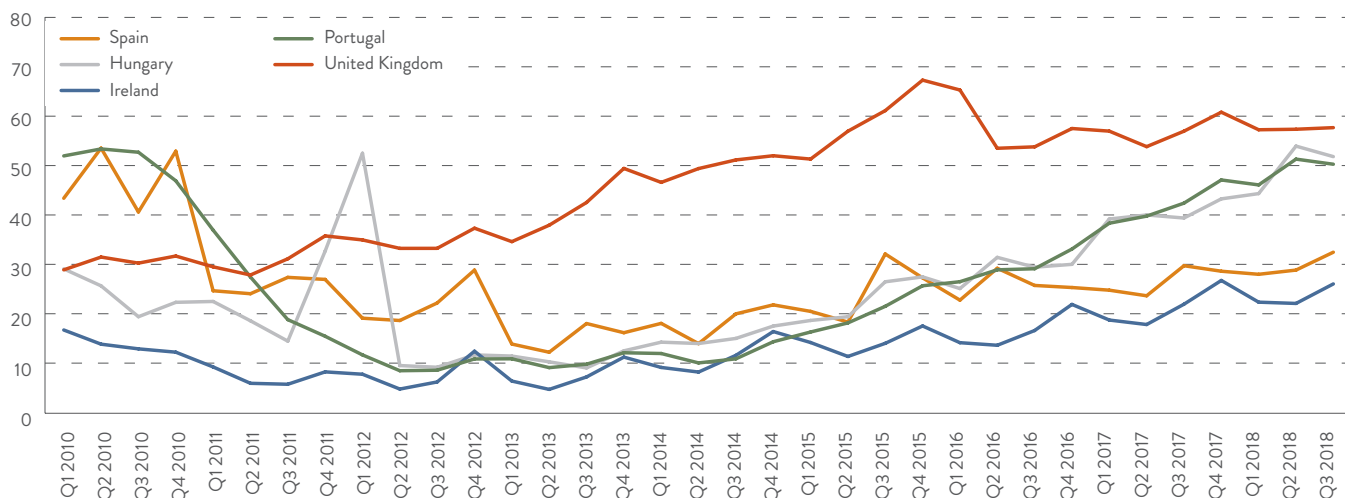


CHART 1B | COUNTRIES WHERE GROSS RESIDENTIAL LENDING HAS REMAINED BETWEEN 80% AND 120% OF 2007 LEVELS

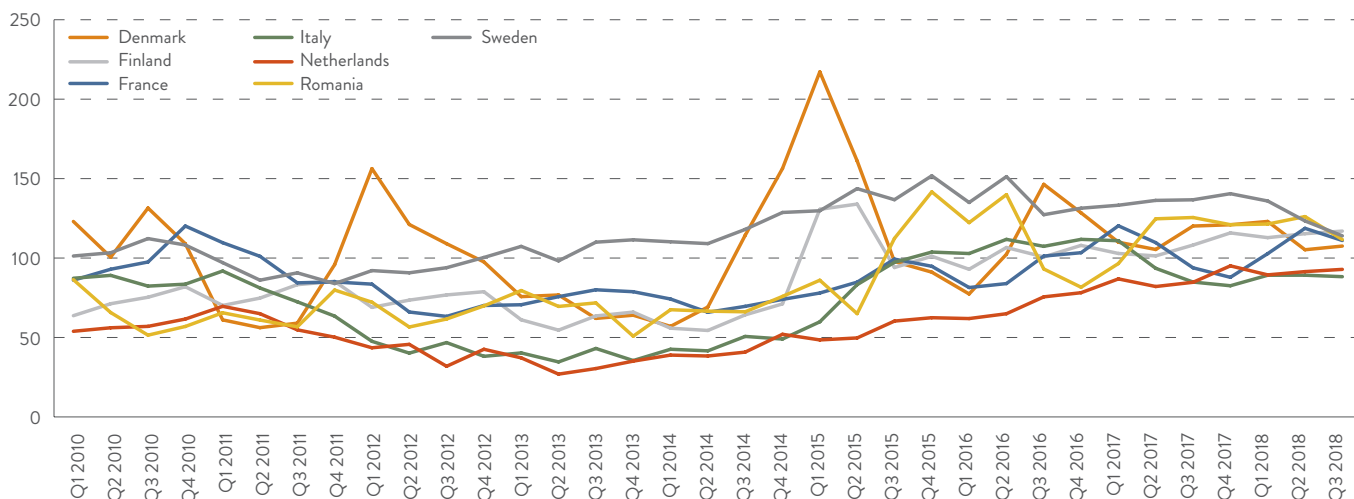


CHART 1C | COUNTRIES WHERE GROSS RESIDENTIAL LENDING HAS RISEN ABOVE 120% OF 2007 LEVELS

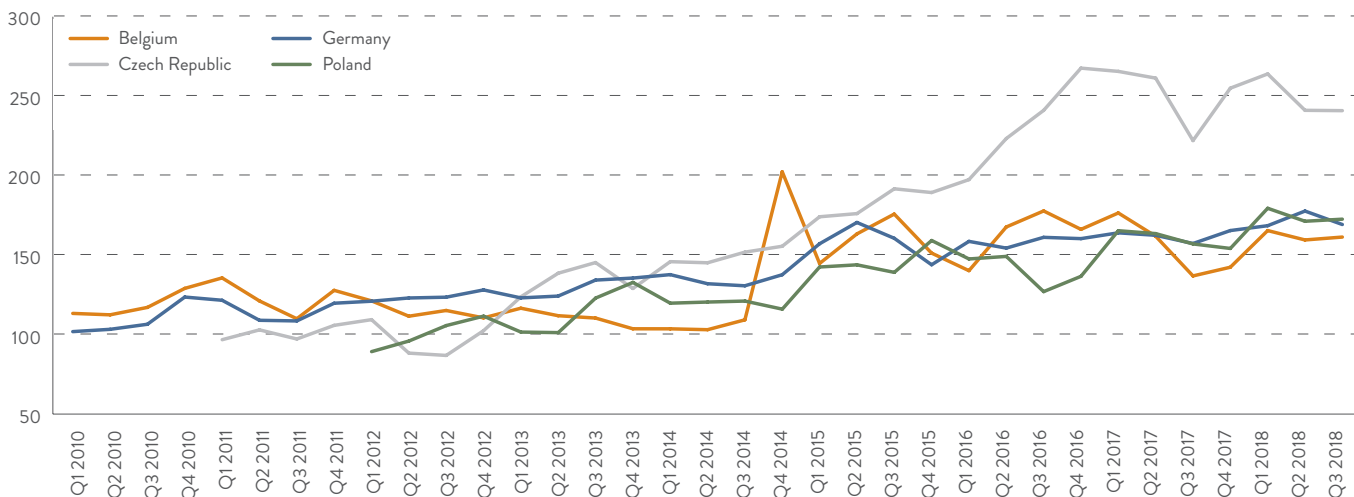
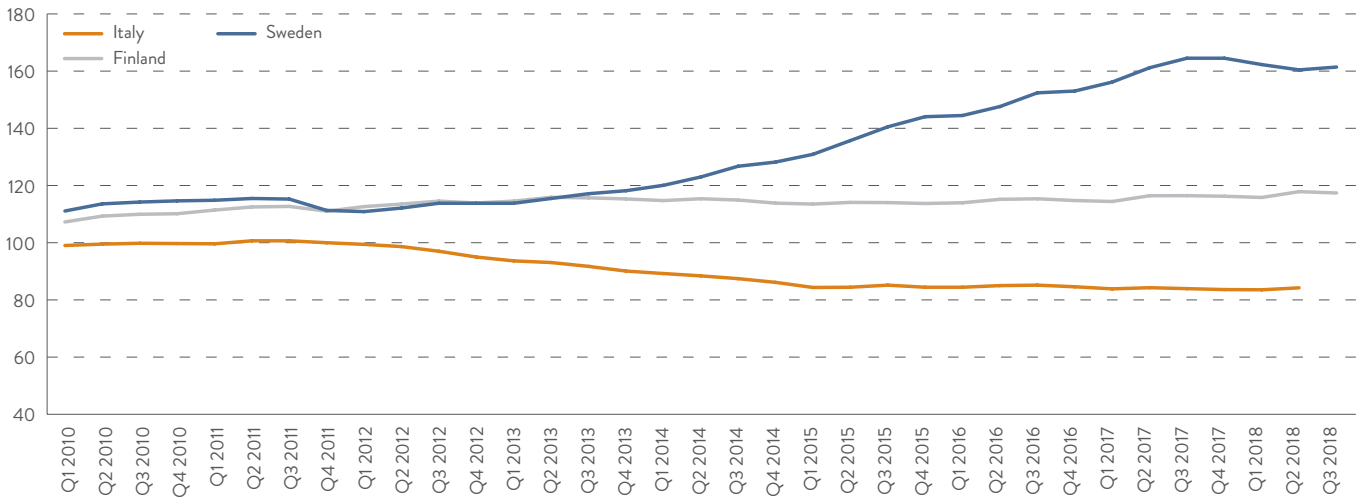
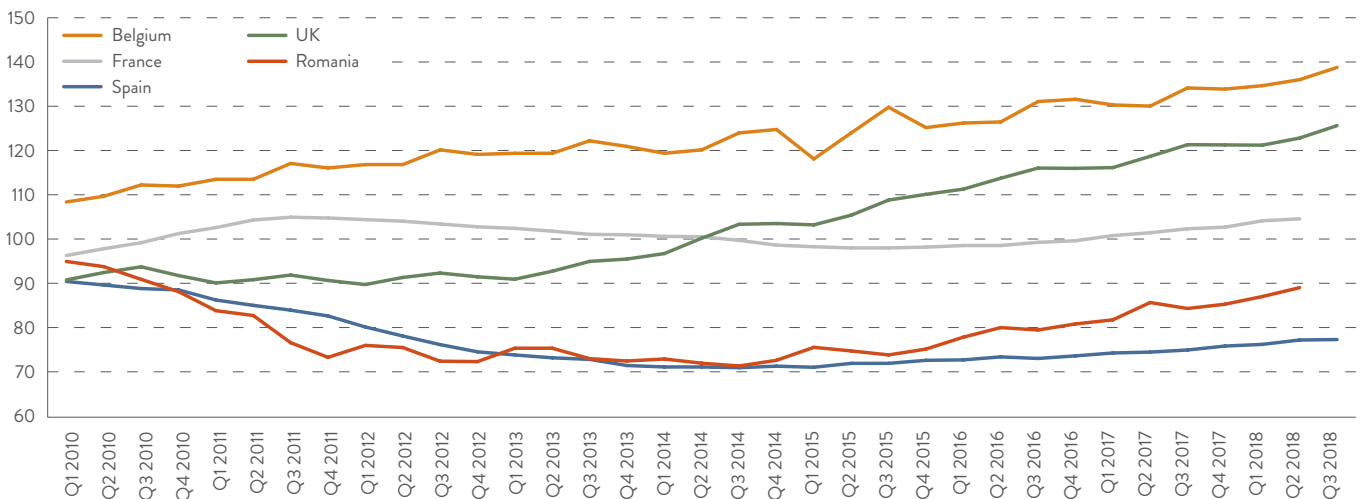


CHART 2A | COUNTRIES WHERE HOUSE PRICES* HAVE INCREASED AT MOST 2% Y-O-Y



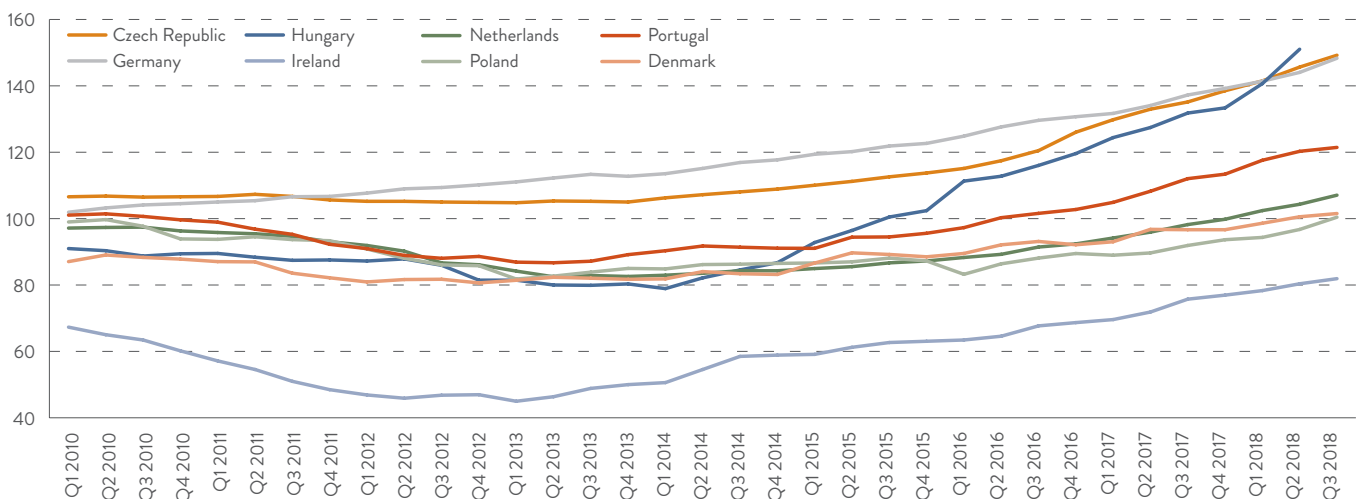
* Average Q1-Q4 2007=100

CHART 2B | COUNTRIES WHERE HOUSE PRICES* HAVE INCREASED BETWEEN 2% AND 5% Y-O-Y

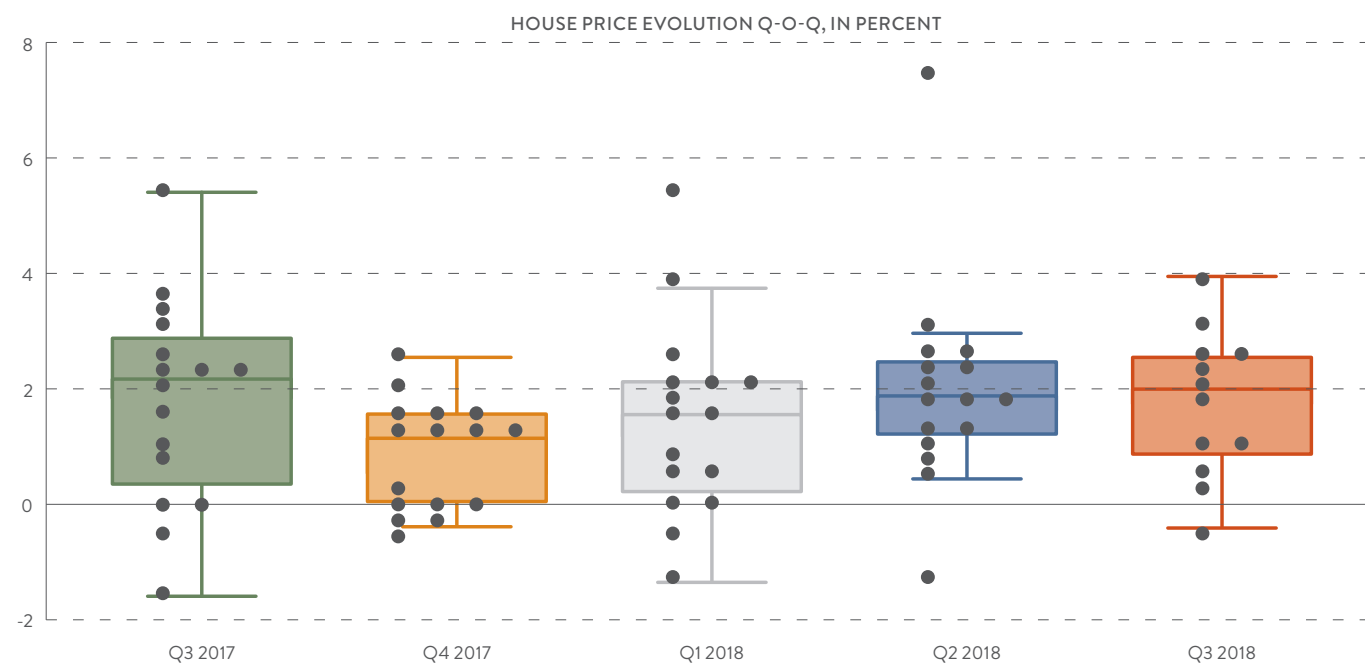


* Average Q1-Q4 2007=100

CHART 2C | COUNTRIES WHERE HOUSE PRICES* HAVE RISEN BY AT LEAST 5% Y-O-Y



* Average Q1-Q4 2007=100

CHART 3 | BOX PLOT OF THE HOUSE PRICE EVOLUTION IN THE EU WITH RESPECT TO THE PREVIOUS QUARTER

NOTES:

Boxplots depict intuitively the distributional characteristics of a dataset, in this case the q-o-q House Price Index evolution of the country sample. The rectangle represents the second and third quartile of the data and the central horizontal line indicates the median value, i.e. the value that splits the sample in two equal halves. The horizontal lines below and above the box indicate respectively the lower and the upper quartiles. Eventual 'outliers' are depicted as points if they are more than 1.5 times the interquartile distance – the height of the box – away from respectively Q1 or Q3. This is the case for Q1 and Q2 2018.

The dataset shows q-o-q growth figures of the country sample until Q2 2018 for which there are 12 datapoints instead of 16, as in 4 countries the latest House Price Index available was that of Q2 2018.


TABLE 1 | TOTAL OUTSTANDING RESIDENTIAL MORTGAGE LENDING (MILLION EUR)

	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	LATEST Y-O-Y CHANGE (%), Q3 18, EUR VALUES	PREVIOUS Y-O-Y CHANGE (%), Q2 18, EUR VALUES	LATEST Y-O-Y CHANGE (%), Q3 18, LOCAL CURRENCY	PREVIOUS Y-O-Y CHANGE (%), Q2 18, LOCAL CURRENCY
BE	223,050	226,971	229,876	233,224	235,971	239,470	242,665	5.6	5.5	5.6	5.5
CZ	35,629	37,743	38,998	40,542	41,417	42,091	42,901	10.0	11.5	0.1	0.1
DE	1,333,562	1,348,088	1,365,975	1,378,810	1,390,462	1,410,391	1,430,568	4.7	4.6	4.7	4.6
DK*	242,093	243,364	245,580	246,616	245,431	248,776	249,034	1.4	2.2	1.6	2.4
ES	507,400	504,489	501,769	497,711	494,582	494,582	n/a	n/a	-2.0	n/a	-2.5
FI	94,279	94,985	95,672	96,129	96,237	96,970	97,444	1.9	2.1	1.9	2.1
FR	913,132	927,481	939,592	954,226	963,366	977,524	n/a	n/a	5.4	n/a	5.5
HU	13,925	13,688	13,634	13,611	13,338	13,351	13,398	-1.7	-2.5	2.5	0.1
IE	105,912	104,978	104,750	102,085	101,577	100,940	100,713	-3.9	-3.8	-3.9	-3.8
IT	371,090	372,381	373,390	375,397	376,603	376,636	378,126	1.3	1.1	1.3	1.1
NL	665,490	669,148	670,785	672,232	698,122	701,077	n/a	n/a	4.8	n/a	4.9
PL**	92,536	92,843	91,338	93,111	93,420	94,838	95,053	4.1	2.1	4.0	3.1
PT	94,944	94,563	94,353	94,093	93,823	93,740	93,794	-0.6	-0.9	-0.6	-0.9
RO	13,093	13,522	13,948	14,262	14,586	15,047	15,457	10.8	11.3	13.8	14.0
SE	393,859	397,468	403,357	402,250	390,996	395,454	397,633	-1.4	-0.5	6.3	6.6
UK	1,558,338	1,529,171	1,539,221	1,540,668	1,571,522	1,575,260	1,558,924	1.3	3.0	2.5	2.6

NOTE: Non seasonally-adjusted data.

Source: European Mortgage Federation

Please note that the conversion to euros is based on the bilateral exchange rate at the end of the period (provided by the ECB).

* Only owner occupation, only mortgage banks - gross lending for house purposes not available for commercial banks starting Q3 2013.

** Adjusted for loan amortization and flows between the foreign currency loan portfolio and the zloty loan portfolio; the entire banking system was taken into account, including credit unions.

The series has been revised for at least two figures in:

- United Kingdom

TABLE 2 | GROSS RESIDENTIAL MORTGAGE LENDING (MILLION EUR)

	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	LATEST Y-O-Y CHANGE (%), Q3 18, EUR VALUES	PREVIOUS Y-O-Y CHANGE (%), Q2 18, EUR VALUES	LATEST Y-O-Y CHANGE (%), Q3 18, LOCAL CURRENCY	PREVIOUS Y-O-Y CHANGE (%), Q2 18, LOCAL CURRENCY
BE	10,265	10,131	9,169	9,306	7,914	8,761	8,532	9,171	9,320	17.8	-1.4	17.8	-1.4
CZ*	2,844	3,262	2,928	3,246	2,618	3,112	2,909	3,005	2,842	8.6	-7.4	-9.5	-9.5
DE	55,700	54,100	50,600	53,500	54,400	55,800	52,100	58,600	58,400	7.4	9.5	7.4	9.5
DK	13,125	12,509	9,344	8,754	10,763	11,834	10,519	8,740	9,631	-10.5	-0.2	-10.4	0.0
ES	7,656	9,309	8,909	10,319	9,117	10,516	10,085	12,222	10,118	11.0	18.4	11.0	18.4
FI	7,136	7,109	7,305	8,304	7,687	7,687	8,038	9,333	8,334	8.4	12.4	8.4	12.4
FR	46,359	44,419	47,822	46,704	43,147	37,678	40,193	50,627	n/a	n/a	8.4	n/a	-16.0
HU	479	425	511	597	624	618	586	800	805	29.1	33.9	34.6	35.3
IE	1,558	1,813	1,393	1,647	2,016	2,230	1,704	2,014	2,369	17.5	22.3	17.5	22.3
IT**	19,180	22,748	20,643	18,941	14,805	17,065	16,414	18,099	15,464	4.4	-4.4	4.4	-4.4
NL	22,368	24,049	23,212	23,695	25,060	29,005	23,958	26,447	27,444	9.5	11.6	9.5	11.6
PL	2,230	2,252	2,590	2,873	2,740	2,550	2,830	3,005	n/a	n/a	4.6	n/a	8.9
PT	1,474	1,617	1,803	2,018	2,130	2,308	2,186	2,588	2,519	18.3	28.2	18.3	28.2
RO	579	492	442	718	764	717	584	726	685	-10.4	1.1	9.46	3.4
SE	13,023	15,298	13,341	15,915	14,064	16,312	13,636	14,481	11,548	-17.9	-9.0	-11.5	-2.5
UK	74,162	72,216	69,225	69,995	78,266	76,490	69,586	74,553	79,192	1.2	6.5	2.4	6.1

* Data break on Q1 2013 due to change in sources

** Latest data is an estimation

Source: European Mortgage Federation

The series has been revised for at least two figures in:

- Germany
- United Kingdom


TABLE 3 | CHANGE IN OUTSTANDING RESIDENTIAL LOANS (MILLION EUR)

	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
BE	2,780	2,144	3,152	3,384	3,844	2,936	3,921	2,905	3,348	2,747	2,920	3,195
CZ	965	263	691	969	932	689	2,114	1,255	1,544	875	675	810
DE	11,848	5,576	12,839	16,444	12,586	6,661	14,526	17,887	12,835	11,652	19,929	20,177
DK*	45	1,577	2,612	1,726	536	277	1,270	2,216	1,036	-1,185	3,345	258
ES	-5,141	-4,548	-3,003	-2,471	-4,830	-3,854	-2,910	-2,720	-4,057	-3,129	2,137	n/a
FI	592	207	925	560	409	223	706	687	457	109	843	474
FR	8,920	4,608	9,271	4,024	15,054	13,774	14,349	12,111	14,634	9,140	14,158	n/a
HU	-548	-95	-282	199	-569	-99	-237	-54	-23	-273	214	47
IE	-1,097	-1,144	-623	-795	-1,294	-898	-934	-228	-2,665	-508	-637	-227
IT	1,304	-149	2,103	1,487	2,396	2,921	1,291	1,010	2,007	1,206	33	1,490
NL	1,739	1,968	3,762	3,489	-818	1,476	3,658	1,637	1,447	25,890	2,955	n/a
PL	581	369	-1,271	2,177	-73	2,945	307	-1,505	1,773	309	1,418	215
PT	-1,871	-696	-591	-636	-1,216	-433	-381	-210	-260	-270	-83	54
RO	415	305	491	413	184	200	429	426	314	324	461	410
SE	16,843	4,276	544	-2,449	9,351	6,860	3,609	5,888	-1,107	-11,254	4,458	2,179
UK	25,737	-111,436	-62,784	-50,548	15,885	11,835	-29,167	10,050	1,447	30,854	2,493	-16,336

* Due to the review of the official registers in Denmark, there is a slight change in the exact composition of the household sector. As such, there is a data break starting Q3 2013.

Source: European Mortgage Federation

Please note this variable is the result of the variation between the two consecutive amounts of outstanding residential mortgage lending (Table 1).

Refer to Table 1 for eventual revisions.

TABLE 4 | HOUSE PRICE INDICES, 2007 = 100

	II 2015	III 2015	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
BE	123.9	129.8	125.1	126.2	126.4	131.1	131.6	130.3	130.1	134.2	133.9	134.7	136.1	138.9
CZ	111.1	112.4	113.6	115.0	117.3	120.4	126.0	129.8	133.0	135.2	138.6	141.6	145.8	149.4
DE	120.1	121.8	122.6	124.8	127.6	129.6	130.7	131.7	134.1	137.3	139.3	141.5	144.2	148.5
DK	89.9	89.3	88.6	89.7	92.3	93.4	92.3	93.3	97.1	97.0	97.0	99.0	101.0	102.0
ES	71.8	71.8	72.5	72.6	73.3	72.9	73.5	74.2	74.4	74.9	75.8	76.2	77.2	77.3
FI	114.3	114.2	113.9	114.1	115.4	115.6	115.0	114.6	116.8	116.8	116.6	116.1	118.3	117.8
FR	97.9	97.9	98.0	98.4	98.4	99.2	99.6	100.8	101.5	102.4	102.8	104.3	104.8	n/a
HU	96.4	100.5	102.4	111.3	112.8	116.1	119.7	124.5	127.5	131.9	133.5	140.8	151.2	n/a
IE	61.6	63.0	63.4	63.8	65.0	68.1	69.1	70.0	72.3	76.2	77.5	78.9	80.9	82.5
IT*	84.3	85.1	84.3	84.3	84.9	85.1	84.5	83.7	84.1	83.8	83.5	83.4	84.1	n/a
NL	85.5	86.7	87.3	88.3	89.3	91.5	92.5	94.3	96.1	98.5	100.1	102.8	104.7	107.5
PL	87.1	88.2	87.3	83.2	86.4	88.2	89.6	89.1	89.8	92.1	93.9	94.6	97.1	100.9
PT	94.4	94.5	95.6	97.3	100.3	101.7	102.8	105.0	108.4	112.3	113.6	117.9	120.6	121.8
RO**	74.7	73.7	75.1	77.8	80.0	79.5	80.9	81.8	85.8	84.4	85.4	87.2	89.8	n/a
SE	135.7	140.5	144.1	144.5	147.7	152.5	153.1	156.3	161.3	164.7	164.7	162.5	160.6	161.6
UK	105.4	108.8	110.1	111.3	113.8	116.1	116.0	116.2	118.8	121.5	121.4	121.3	123.0	125.8

* 2010=100

** 2009=100

Source: European Mortgage Federation

It is worth mentioning that house prices are calculated according to different methodologies at the national level.

Further information below:

- Belgium: Stadim average price of existing dwellings
- Czech Republic: Data break in Q1 2008
- Germany: all owner-occupied dwellings, weighted average, VdP index
- Denmark: one-family houses - total index unavailable from source
- France: INSEE "Indice des prix du logement" (only existing dwellings).
- Greece: urban areas house price index (other than Athens); the time series has been updated
- Hungary: FHB house price index (residential properties)
- Ireland: new series of House Price Index of the Central Statistics Office
- Netherlands: Source: ECB. Data on existing dwellings.
- Poland: Weighted average price for the seven largest Polish cities
- Portugal: Statistics Portugal house price index
- Spain: new house price index, first released by the Ministry of Housing on Q1 2005
- Sweden: index of prices of one-family homes.
- UK: Department of Communities and Local Government Index (all dwellings)

The series has been revised for at least two figures in:

- Czech Republic



TABLE 5A | MORTGAGE INTEREST RATES (% , WEIGHTED AVERAGE)

	II 2015	III 2015	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
BE	2.43	2.46	2.48	2.27	2.05	2.00	2.00	2.11	2.16	2.13	2.03	2.01	2.01	1.95
CZ*	2.48	2.48	2.42	2.37	2.25	2.17	2.01	2.17	2.22	2.17	2.25	2.41	2.49	2.58
DE	1.83	2.03	2.00	1.91	1.81	1.68	1.63	1.80	1.83	1.85	1.83	1.85	1.90	1.87
DK**	1.06	1.03	1.12	1.17	1.29	1.20	1.09	1.11	1.09	0.94	0.87	0.87	0.84	0.79
ES	2.25	2.17	2.08	2.02	2.04	2.02	1.97	1.97	1.92	1.99	1.91	1.95	1.93	1.95
FI	1.51	1.43	1.32	1.23	1.20	1.16	1.16	1.13	1.07	1.02	0.95	0.92	0.87	0.88
FR***	2.01	2.14	2.18	2.02	1.69	1.46	1.32	1.45	1.54	1.55	1.52	1.48	1.45	1.43
HU	5.04	4.57	4.85	4.88	4.58	4.34	4.06	3.91	3.59	3.43	3.01	4.31	4.31	4.87
IE	3.46	3.40	3.42	3.30	3.34	3.26	3.22	3.16	3.22	3.20	3.07	3.02	3.06	2.97
IT	2.77	2.67	2.50	2.33	2.20	2.02	2.02	2.11	2.10	2.02	1.90	1.88	1.80	1.80
NL	2.92	2.90	2.83	2.75	2.64	2.54	2.39	2.40	2.40	2.40	2.40	2.30	2.30	2.30
PL	4.30	4.40	4.40	4.40	4.50	4.40	4.40	4.40	4.40	4.40	4.40	4.30	4.30	4.40
PT	2.28	2.19	2.13	1.99	1.86	1.76	1.77	1.70	1.61	1.48	1.52	1.51	1.41	1.33
RO****	3.95	3.94	3.79	3.49	3.32	3.56	3.52	3.71	3.34	3.60	4.42	4.78	5.01	5.67
SE	1.55	1.52	1.56	1.62	1.60	1.59	1.57	1.65	1.52	1.53	1.56	1.52	1.51	1.48
UK	2.60	2.57	2.54	2.50	2.41	2.30	2.16	2.09	2.05	1.98	1.98	2.03	2.09	2.10

* For Czech Republic from Q1 2015 the data source is the Czech national Bank

** This data series has been revised and it depicts the variable interest rate, which is the most common one.

*** Data from Q2 2012 has been revised for France due to a new source. Further data break in Q1 2014

**** Recalculation of the interest rate as a weighted average of interest rates in local currency and euro (previously weighted average only of euro denominated mortgages). Data break from Q1 2014.

Source: European Mortgage Federation

NOTE:

Data refers to quarter averages.

For Czech Republic the weighted average for the whole market is likely biased towards the short-term loans. This is due to the available weighting scheme: the loan volumes include prolongations, but prolongations tend to have shorter interest rate periods.

For Hungary the representative interest rate on new loans in Q1 2018 is not any more the variable rate, but the short-term fixed one (1y-5y)

The series has been revised for at least two figures in:

- Denmark

TABLE 5B | MORTGAGE INTEREST RATES

VARIABLE RATE AND INITIAL FIXED PERIOD RATE UP TO 1 YEAR (%)

	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
BE	2.48	2.16	2.37	2.47	2.48	2.46	2.25	2.06	1.95	1.58	1.51	1.57
CZ	2.59	2.61	2.32	2.55	2.04	2.40	2.51	2.25	2.28	2.57	2.53	2.88
DE	2.17	2.26	2.12	2.07	1.95	2.10	2.10	2.04	2.05	2.05	2.08	2.14
DK*	1.12	1.17	1.29	1.20	1.09	1.11	1.09	0.94	0.87	0.87	0.84	0.79
ES	1.85	1.72	1.66	1.66	1.62	1.57	1.51	1.68	1.57	1.60	1.56	1.57
FI	1.27	1.18	1.14	1.11	1.09	1.06	1.02	1.00	0.94	0.90	0.84	0.85
FR	1.76	1.43	n/a	n/a	1.12	n/a	n/a	n/a	n/a	n/a	n/a	n/a
HU	4.85	4.88	4.58	4.34	4.06	3.91	3.59	3.43	3.01	3.18	3.18	3.41
IE	3.30	3.14	3.22	3.18	3.14	3.03	3.18	3.17	3.03	2.96	3.11	3.04
IT	1.97	1.92	1.80	1.74	1.70	1.72	1.66	1.63	1.53	1.54	1.47	1.51
NL	2.38	2.30	2.20	2.08	1.95	1.95	1.97	1.98	1.96	1.95	1.91	1.89
PT	2.13	1.99	1.86	1.76	1.77	1.70	1.61	1.48	1.52	1.51	1.41	1.33
RO**	3.71	3.40	3.25	3.51	3.42	3.62	3.29	3.56	4.47	4.79	5.00	5.66
SE	1.56	1.62	1.60	1.59	1.57	1.65	1.52	1.53	1.56	1.52	1.45	1.46
UK***	2.04	2.13	2.05	1.93	1.87	1.92	1.90	1.78	1.84	2.06	2.09	2.10

SHORT-TERM INITIAL FIXED PERIOD RATE, FROM 1 TO 5 YEARS MATURITY (%)

	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
BE	2.21	2.05	2.01	2.08	2.09	2.12	2.09	1.96	1.86	1.94	1.82	1.54
CZ	2.32	2.26	2.25	2.13	2.06	2.16	2.12	2.14	2.24	2.38	2.50	2.53
DE	1.94	1.85	1.83	1.77	1.65	1.67	1.73	1.77	1.70	1.72	1.74	1.72
DK*	1.33	1.27	1.24	1.15	1.26	1.24	1.22	1.16	1.12	1.12	1.17	1.24
ES	2.17	2.06	2.02	1.99	1.95	1.85	1.71	1.74	1.67	1.69	1.67	1.74
FI	1.51	1.30	1.27	1.27	1.27	1.16	1.12	1.13	1.15	1.18	1.02	1.06
HU	6.60	6.68	6.32	6.11	5.80	5.79	5.40	5.14	4.63	4.31	4.31	4.87
IE	3.66	3.59	3.57	3.40	3.34	3.32	3.27	3.22	3.10	3.07	3.03	2.94
NL	2.64	2.55	2.39	2.16	2.11	2.15	2.20	2.23	2.21	2.15	2.15	2.10
RO**	4.03	4.46	4.95	4.91	4.93	4.96	5.01	4.84	4.37	4.49	5.11	5.49
SE	1.73	1.71	1.72	1.72	1.56	1.61	1.65	1.65	1.65	1.67	1.61	1.60
UK	2.59	2.53	2.45	2.35	2.20	2.09	2.05	1.99	1.97	2.00	2.07	2.09

MEDIUM-TERM INITIAL FIXED PERIOD RATE, FROM 5 TO 10 YEARS MATURITY (%)

	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
BE	2.35	2.15	1.90	1.97	1.86	1.93	2.10	2.19	2.16	2.13	1.94	1.84
CZ	2.29	2.19	2.10	1.95	1.86	1.98	2.19	2.13	2.21	2.36	2.43	2.51
DE	1.89	1.77	1.63	1.52	1.46	1.63	1.68	1.68	1.67	1.69	1.76	1.71
DK*	2.30	1.84	1.76	1.35	1.57	1.64	1.56	1.53	1.58	1.61	1.72	1.67
ES	5.01	5.23	3.87	4.52	3.99	4.15	4.13	4.26	4.07	4.45	4.43	4.19
FI	1.88	1.90	1.67	1.71	1.82	1.94	1.89	1.92	1.80	1.90	1.70	1.90
HU	6.22	6.22	6.69	6.89	6.88	7.04	6.51	6.27	5.76	5.39	5.27	5.39
NL	2.83	2.78	2.67	2.54	2.34	2.30	2.36	2.34	2.34	2.34	2.39	2.39
RO**	5.40	5.62	5.64	5.66	5.56	5.62	5.57	4.75	5.09	5.40	5.51	6.12
SE	2.75	2.54	2.52	2.24	2.39	2.58	1.94	1.91	2.17	2.20	2.03	2.04
UK	3.15	3.34	3.22	3.08	2.63	2.59	2.69	2.71	2.66	2.63	2.63	2.67



LONG-TERM INITIAL FIXED PERIOD RATE, 10-YEAR OR MORE MATURITY (%)

	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
BE	2.48	2.27	2.05	2.00	2.00	2.11	2.16	2.13	2.03	2.01	2.01	1.95
CZ	3.21	3.22	2.86	2.43	2.39	2.44	2.67	2.44	2.57	2.48	2.54	2.48
DE	2.08	1.95	1.86	1.70	1.69	1.88	1.90	1.95	1.92	1.94	1.98	1.95
DK*	3.78	3.67	3.23	2.90	2.89	3.04	2.89	2.82	2.78	2.87	2.85	2.79
ES	2.68	2.66	2.36	2.37	2.19	2.32	2.42	2.44	2.39	2.33	2.29	2.26
HU	6.66	5.75	6.46	5.93	5.98	5.71	5.93	5.67	5.52	5.51	5.76	5.74
IT****	2.82	2.63	2.48	2.16	2.17	2.25	2.30	2.22	2.12	2.07	1.96	1.93
NL	3.28	3.19	3.07	3.03	2.90	2.85	2.90	3.00	3.00	2.90	2.86	2.80
RO**	5.65	4.91	5.96	5.94	5.70	5.86	5.76	3.34	3.69	4.85	4.56	5.56
UK	4.06	3.98	4.95	n	n	n	n	n	n	n/a	n/a	n/a

* Due to the review of the official registers in Denmark, there is a slight change in the exact composition of the household sector. As such, there is a data break starting Q3 2013.

** Recalculation of the interest rate as a weighted average of interest rates in local currency and euro (previously weighted average only of euro denominated mortgages). Data break from Q1 2014.

*** Bank of England discontinued the series Variable rate (up to 1 year). In this chart it has been replaced by Variable Rate without initial fixed period.

**** IT: Data-series accounts for interest rates for all maturities beyond 1 year of initial fixed period

NOTE:

n - no lending made in this maturity bracket

Data refers to quarter averages

UK - from Q1 2018 onwards Bank of England discontinued these data series

The series has been revised for at least two figures in:

- Denmark
- United Kingdom

Source: European Mortgage Federation

TABLE 5C | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) - OUTSTANDING LOANS

	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
CZECH REPUBLIC											
Variable rate (up to 1Y initial rate fixation)	24.0	22.2	20.9	21.6	20.9	20.1	20.0	19.1	18.6	18.7	18.6
Short-term fixed (1Y-5Y initial rate fixation)	58.8	59.8	59.9	57.8	57.5	57.5	56.7	56.3	54.6	53.2	52.4
Medium-Term fixed (5Y-10Y initial rate fixation)	11.9	13.0	14.4	15.8	17.0	17.9	18.9	20.3	22.5	23.7	24.5
Long-Term fixed (over 10Y initial rate fixation)	5.2	5.1	4.9	4.8	4.6	4.5	4.4	4.3	4.4	4.4	4.4
DENMARK											
Variable rate (up to 1Y initial rate fixation)	37.9	38.3	37.4	37.8	38.6	38.8	37.9	36.7	36.3	36.4	35.4
Short-term fixed (1Y-5Y initial rate fixation)	27.7	27.1	27.3	26.4	25.0	24.6	24.9	25.6	25.9	25.9	25.5
Medium-Term fixed (5Y-10Y initial rate fixation)	34.4	34.7	35.4	35.8	36.4	36.6	37.2	37.7	37.8	37.5	39.2
Long-Term fixed (over 10Y initial rate fixation)											
FINLAND											
Variable rate (up to 1Y initial rate fixation)	88.4	88.9	89.5	90.2	90.6	91.1	91.6	92.2	92.7	92.8	93.1
Short-term fixed (1Y-5Y initial rate fixation)	7.4	7.0	6.7	6.3	6.0	5.7	5.3	5.0	4.7	4.4	4.2
Medium-Term fixed (5Y-10Y initial rate fixation)	4.2	4.0	3.8	3.6	3.4	3.2	3.0	2.8	2.6	2.8	4.7
Long-Term fixed (over 10Y initial rate fixation)											
IRELAND											
Variable rate (up to 1Y initial rate fixation)	91.8	91.5	90.3	89.6	88.9	88.0	86.9	85.8	84.3	82.5	n/a
Short-term fixed (1Y-5Y initial rate fixation)	6.2	6.5	7.8	8.5	9.2	10.1	11.2	12.6	13.9	15.6	n/a
Medium-Term fixed (5Y-10Y initial rate fixation)	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.6	1.7	2.0	n/a
Long-Term fixed (over 10Y initial rate fixation)	n	n	n	n	n	n	n	n	n	n	n/a

TABLE 5C | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – OUTSTANDING LOANS (CONTINUED)

	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
SWEDEN											
Variable rate (up to 1Y initial rate fixation)	67.1	68.3	69.1	69.1	68.1	67.9	68.3	68.3	68.4	68.9	69.01
Short-term fixed (1Y-5Y initial rate fixation)	30.5	29.4	28.7	28.9	30.0	30.3	30.1	30.1	30.2	29.7	20.9
Medium-Term fixed (5Y-10Y initial rate fixation)	2.4	2.3	2.2	2.1	1.9	1.7	1.6	1.5	1.5	1.4	1.4
Long-Term fixed (over 10Y initial rate fixation)											

UNITED KINGDOM											
Variable rate (up to 1Y initial rate fixation)*	49.9	48.2	47.0	45.8	44.2	42.4	40.6	38.6	36.6	35.0	33.4
Short-term fixed (1Y-5Y initial rate fixation)	48.4	50.2	51.5	52.7	54.3	56.2	58.0	60.0	61.9	63.4	65.0
Medium-Term fixed (5Y-10Y initial rate fixation)	1.4	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.6
Long-Term fixed (over 10Y initial rate fixation)	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1

CURRENCY DENOMINATION	II 2013	III 2013	IV 2013	I 2014	II 2014	III 2014	IV 2014	I 2015	II 2015	III 2015	IV 2015
HUNGARY*											
HUF denominated	46.6	46.7	47.3	46.6	46.9	47.6	47.5	98.4	99.2	99.3	Since Q4 2015 FX lending is not allowed any more
EUR denominated	6.9	6.8	6.7	6.8	6.7	6.5	6.4	0.4	0.3	0.3	
CHF denominated	44.6	44.5	43.7	44.2	44.0	43.4	43.6	1.0	0.4	0.4	
Other FX denominated	1.9	2.1	2.3	2.4	2.5	2.5	2.6	0.2	0.1	0.0	

BREAKDOWN BY LOAN ORIGINAL MATURITY	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
ITALY											
Maturity less than 5 years	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.5	0.6
Maturity over 5 years	99.4	99.4	99.4	99.3	99.3	99.3	99.3	99.3	99.3	99.5	99.5

NOTES:

* From Q4 2015 in Hungary lending in foreign currency is not allowed any more.
n - no lending outstanding in this maturity bracket

Source: European Mortgage Federation

The series has been revised for at least two figures in:

- United Kingdom

TABLE 5D | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) - NEW LOANS

	III 2015	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
BELGIUM													
Variable rate (up to 1Y initial rate fixation)	0.4	0.7	1.6	1.3	0.5	0.3	0.5	1.2	1.6	2.5	4.9	7.4	7.9
Short-term fixed (1Y-5Y initial rate fixation)	2.8	3.9	4.7	2.6	2.1	1.8	2.2	2.5	3.1	4.8	4.2	3.9	5.8
Medium-Term fixed (5Y-10Y initial rate fixation)	12.0	18.3	17.5	14.3	13.9	15.6	16.3	17.2	17.2	18.2	18.1	17.1	20.8
Long-Term fixed (over 10Y initial rate fixation)	84.8	77.2	76.2	81.8	83.6	82.3	81.1	79.1	78.1	74.6	72.9	71.6	65.5
CZECH REPUBLIC													
Variable rate (up to 1Y initial rate fixation)	25.2	27.5	27.6	23.6	17.1	33.4	19.1	16.7	21.1	24.9	16.9	18.5	17.3
Short-term fixed (1Y-5Y initial rate fixation)	57.3	56.1	54.2	52.7	53.0	37.2	50.9	56.6	53.4	45.6	47.8	47.9	47.7
Medium-Term fixed (5Y-10Y initial rate fixation)	15.2	13.6	15.6	20.7	26.8	26.2	26.9	23.7	22.4	26.6	30.9	28.6	29.0
Long-Term fixed (over 10Y initial rate fixation)	2.3	2.8	2.6	3.1	3.1	3.2	3.1	3.0	3.0	3.0	4.3	5.0	6.1
DENMARK													
Variable rate (up to 1Y initial rate fixation)	16.6	25.1	22.4	19.2	11.3	18.4	17.8	17.4	18.6	22.9	13.7	15.5	14.8
Short-term fixed (1Y-5Y initial rate fixation)	33.4	42.6	45.4	39.4	28.1	28.8	35.2	33.0	28.3	39.4	36.7	29.6	25.4
Medium-Term fixed (5Y-10Y initial rate fixation)	1.2	1.0	4.3	1.4	1.8	1.3	1.5	1.0	2.3	0.9	2.1	0.6	1.5
Long-Term fixed (over 10Y initial rate fixation)	48.9	31.3	27.8	40.0	58.8	51.5	45.4	48.7	50.8	36.8	47.6	54.3	58.3
FINLAND													
Variable rate (up to 1Y initial rate fixation)	92.4	93.2	92.8	93.4	93.6	93.3	93.2	94.3	95.6	96.0	96.2	96.4	96.6
Short-term fixed (1Y-5Y initial rate fixation)	4.2	3.9	4.2	3.6	3.5	3.4	3.1	2.8	2.2	1.9	1.8	1.8	1.4
Medium-Term fixed (5Y-10Y initial rate fixation)	3.4	3.0	3.0	2.9	2.9	3.3	3.6	2.9	2.2	2.1	2.0	1.8	2.0
Long-Term fixed (over 10Y initial rate fixation)													
GERMANY													
Variable rate (up to 1Y initial rate fixation)	11.8	12.9	12.8	12.1	11.4	11.8	10.9	11.3	11.6	11.9	11.3	12.5	11.5
Short-term fixed (1Y-5Y initial rate fixation)	9.8	10.5	10.6	9.5	9.0	8.4	8.8	8.5	8.9	8.9	8.8	8.8	8.7
Medium-Term fixed (5Y-10Y initial rate fixation)	38.8	37.9	36.7	35.1	35.7	35.9	36.1	35.2	35.5	35.4	34.4	33.8	34.0
Long-Term fixed (over 10Y initial rate fixation)	39.6	38.7	40.0	43.3	44.0	43.9	44.2	45.0	43.9	43.9	45.5	44.9	45.8



TABLE 5D | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS (CONTINUED)

	III 2015	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
HUNGARY													
Variable rate (up to 1Y initial rate fixation)	48.8	44.1	42.4	43.6	40.8	40.6	43.5	45.9	41.4	38.7	28.1	18.3	11.5
Short-term fixed (1Y-5Y initial rate fixation)	29.6	32.5	31.4	31.1	30.0	31.2	27.2	27.0	32.6	34.2	42.7	46.6	42.4
Medium-Term fixed (5Y-10Y initial rate fixation)	16.3	16.2	18.6	20.1	23.2	21.9	22.5	20.6	19.5	21.2	23.8	29.2	38.4
Long-Term fixed (over 10Y initial rate fixation)	5.3	7.2	7.6	5.2	6.0	6.3	6.8	6.4	6.5	5.9	5.4	5.9	7.8
IRELAND													
Variable rate (up to 1Y initial rate fixation)	60.8	69.7	67.1	65.0	70.0	62.5	59.8	53.4	47.2	43.8	45.6	41.5	36.1
Short-term fixed (1Y-5Y initial rate fixation)	39.2	30.3	32.9	35.0	30.0	37.5	40.2	46.6	52.8	56.2	54.4	58.5	63.9
Medium-Term fixed (5Y-10Y initial rate fixation)	n	n	n	n	n	n	n	n	n	n	n	n	n
Long-Term fixed (over 10Y initial rate fixation)	n	n	n	n	n	n	n	n	n	n	n	n	n
ITALY													
Variable rate (up to 1Y initial rate fixation)	38.4	38.4	40.8	41.7	36.3	31.2	29.0	31.3	35.5	37.5	36.3	33.4	32.8
Short-term fixed (1Y-5Y initial rate fixation)													
Medium-Term fixed (5Y-10Y initial rate fixation)	61.6	61.6	59.2	58.3	63.7	68.8	71.0	68.7	64.5	62.5	63.7	66.6	67.2
Long-Term fixed (over 10Y initial rate fixation)													
NETHERLANDS													
Variable rate (up to 1Y initial rate fixation)	10.5	12.1	14.2	14.9	13.4	11.8	10.7	13.8	14.7	15.3	15.4	16.2	16.3
Short-term fixed (1Y-5Y initial rate fixation)	13.6	14.3	13.1	12.5	12.5	9.9	8.3	10.0	8.7	8.9	9.3	10.2	10.0
Medium-Term fixed (5Y-10Y initial rate fixation)	55.2	56.2	54.7	53.4	51.4	56.5	57.9	54.3	55.5	55.3	53.4	48.2	43.8
Long-Term fixed (over 10Y initial rate fixation)	20.6	17.5	18.0	19.1	22.7	21.8	23.0	21.9	21.2	20.5	21.8	25.4	29.9

TABLE 5D | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS (CONTINUED)

	III 2015	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
POLAND													
Variable rate (up to 1Y initial rate fixation)	100	100	100	100	100	100	100	100	100	100	100	100	100
Short-term fixed (1Y-5Y initial rate fixation)	n	n	n	n	n	n	n	n	n	n	n	n	n
Medium-Term fixed (5Y-10Y initial rate fixation)	n	n	n	n	n	n	n	n	n	n	n	n	n
Long-Term fixed (over 10Y initial rate fixation)	n	n	n	n	n	n	n	n	n	n	n	n	n
PORTUGAL													
Variable rate (up to 1Y initial rate fixation)	90.3	90.2	79.7	62.5	62.6	61.0	63.3	58.9	60.1	59.1	61.3	68.2	64.0
Short-term fixed (1Y-5Y initial rate fixation)													
Medium-Term fixed (5Y-10Y initial rate fixation)	9.7	9.8	20.3	37.5	37.4	39.0	36.7	41.1	39.9	40.9	38.7	31.8	36.0
Long-Term fixed (over 10Y initial rate fixation)													
ROMANIA													
Variable rate (up to 1Y initial rate fixation)	68.2	76.9	90.6	95.1	94.9	93.9	93.6	97.5	88.8	78.5	73.2	77.7	75.0
Short-term fixed (1Y-5Y initial rate fixation)	30.5	21.4	7.8	4.0	4.0	5.0	4.8	1.7	2.5	10.3	15.5	8.5	11.3
Medium-Term fixed (5Y-10Y initial rate fixation)	0.7	0.8	0.4	0.6	0.6	0.9	1.1	0.5	1.9	3.5	5.6	6.0	6.7
Long-Term fixed (over 10Y initial rate fixation)	0.5	0.8	1.1	0.3	0.4	0.2	0.5	0.3	6.7	7.8	5.7	7.9	7.0
SPAIN													
Variable rate (up to 1Y initial rate fixation)	61.8	62.6	57.8	41.6	46.8	42.2	41.7	42.0	43.9	42.3	37.4	37.7	37.3
Short-term fixed (1Y-5Y initial rate fixation)	26.3	28.0	28.6	20.5	25.1	23.4	24.8	26.2	27.2	28.5	29.1	27.95	27.7
Medium-Term fixed (5Y-10Y initial rate fixation)	4.1	2.5	2.9	3.8	3.5	4.0	4.7	4.4	3.9	3.9	4.0	4.21	4.7
Long-Term fixed (over 10Y initial rate fixation)	7.9	6.9	10.7	34.2	24.6	30.5	28.9	27.4	25.0	25.3	29.4	30.13	30.3

TABLE 5D | MORTGAGE MARKETS BREAKDOWN BY INTEREST RATE TYPE (%) – NEW LOANS (CONTINUED)

	III 2015	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
SWEDEN													
Variable rate (up to 1Y initial rate fixation)	72.8	72.3	74.3	76.2	76.3	77.1	72.7	72.9	72.5	69.0	70.3	72.9	72.2
Short-term fixed (1Y-5Y initial rate fixation)	19.3	20.1	19.1	17.6	16.6	15.8	19.6	19.8	18.9	20.4	20.8	20.2	20.9
Medium-Term fixed (5Y-10Y initial rate fixation)	7.9	7.6	6.6	6.1	7.1	7.2	7.7	7.3	8.6	10.7	8.9	6.9	6.8
Long-Term fixed (over 10Y initial rate fixation)													
UNITED KINGDOM													
Variable rate (up to 1Y initial rate fixation)*	15.6	12.4	15.5	15.7	16.1	16.6	15.8	11.6	11.0	7.4	6.9	7.0	8.7
Short-term fixed (1Y-5Y initial rate fixation)	81.0	84.6	83.4	83.2	82.8	81.6	82.0	86.7	87.6	90.9	91.2	91.2	4.0
Medium-Term fixed (5Y-10Y initial rate fixation)	3.4	2.9	1.1	1.1	1.1	1.8	2.2	1.7	1.4	1.7	1.8	1.7	1.7
Long-Term fixed (over 10Y initial rate fixation)	0.1	0.1	n	n	n	n	n	n	n	n	n/a	n/a	n/a

NOTE:

*Please note that for the UK, this refers to more than 99% to Variable rate without any fixed period.

n - no lending made in this maturity bracket

Source: European Mortgage Federation

The series has been revised for at least two figures in:

- Denmark
- United Kingdom

THE BANK LENDING SURVEYS

NOTES ON THE BANK LENDING SURVEYS

The Bank Lending Survey (BLS) is carried out by the European Central Bank (ECB), is addressed to senior loan officers of a representative sample of euro area banks and is conducted four times a year. The sample group participating in the survey comprises around 130 banks from all euro area countries and takes into account the characteristics of their respective national banking structures^{1,2}.

The survey addresses issues such as credit standards for approving loans as well as credit terms and conditions applied to enterprises and households. It also asks for an assessment of the conditions affecting credit demand. The results and information displayed here are taken from the quarterly results of the "The Euro area bank lending survey – Third quarter of 2018" of the ECB.

For the UK and Denmark, the BLS is carried out by the respective Central Banks.

In this context, it is important to point out that some statistical techniques and the underlying factors are slightly different from those used by the ECB. In order to provide a consistent comparison with the data of the ECB, the figures of the change in credit standards for Denmark and the United Kingdom have been inverted, as in these cases a positive value is equivalent to a standard easing, which is opposite to the interpretation of the figures of the BLS of the ECB.

In addition to Denmark and the UK, for the first time, in this third quarter we introduce other four European countries with currencies different from the Euro, namely, Czech Republic, Hungary, Romania and Poland. For these countries similar criteria as the one used in the Bank Lending Survey carried out by the ECB applies, as is the case for the Eurozone countries positive values stand for net tightening and negative values stand for net easing. In the case of Hungary the effect of the different factors on demand have been inverted to match the interpretation of the figures of the ECB's BLS.

¹ The Finnish BLS data is not published because of confidentiality reasons. As the Finnish BLS sample consists of only four banks, there is a risk that answers of individual banks could be extracted from the aggregate results.

² It should be noted that the term "Net Percentage" is used (see ECB website or contact authors for more information) in this publication. For the data for Denmark and the UK, net weighted average figures are used. Figures for France, Malta, Slovakia and the Netherlands are weighted based on the amounts outstanding of loans of the individual banks in the respective national samples, while figures for the other countries are unweighted. For Estonia and Ireland Diffusion Index Data is used as they lack net percentage data.

RESULTS RELATED TO LENDING TO HOUSEHOLDS FOR HOUSE PURCHASE

1. CREDIT STANDARD:

TABLE 6A | SUPPLY HISTORIC EVOLUTION (BACKWARD-LOOKING 3 MONTHS)
(AS A NETTED AND WEIGHTED PERCENTAGE OF ALL RESPONDENT BANKS)

	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
AT	14	0	29	-14	0	0	14	-14	14	0	29	14
BE	0	0	25	0	25	0	25	0	0	25	0	0
CY	0	0	0	0	0	0	0	0	0	0	0	0
DE	0	21	28	10	0	-14	0	-7	-7	-7	-7	-3
EE	13	13	0	0	0	0	0	0	13	30	10	0
EL	25	0	0	25	0	0	25	0	0	0	-25	0
ES	0	-11	-11	-11	0	0	0	-11	-11	-11	-11	0
FR	-15	0	-15	-24	0	0	0	-2	-2	-14	-2	-2
IE	-10	10	0	-10	0	0	0	0	0	0	0	0
IT	-25	-13	-38	0	0	-14	-20	-20	0	-10	0	0
LT	75	0	0	0	25	0	25	75	0	0	0	25
LU	0	-17	-17	-17	-17	0	-33	-17	0	-33	-17	0
LV	0	0	0	0	-25	-25	0	0	0	-25	0	50
MT	-11	34	-41	0	0	0	0	-45	0	40	0	0
NL	-8	14	0	0	0	-2	-30	-48	-36	-51	-50	-34
PT	0	0	0	0	0	0	0	0	0	0	0	60
SI	0	20	0	0	-20	40	0	0	0	0	0	20
SK	0	11	17	-9	0	93	65	51	32	59	32	78
EA	-7	4	-2	-4	1	-5	-4	-11	-6	-11	-8	-2
CZ	2	-5	3	-1	89	87	57	40	42	41	29	40
DK	33	23	14	14	18	14	-32	22	14	40	13	-6
HU	37	56	100	63	78	76	96	77	62	88	100	81
PL	-35	-86	-27	-46	9	-1	-13	-11	-21	4		-58
RO	-16	43	88	-42	2	12	47	-16	3	7	0	18
UK	-5	3	5	2	4	-4	-10	-7	-2	-4	-4	11

In the third quarter of 2018, the overall credit standards continued to ease in the Euro area by 2%, following the easing path seen through 2017 and 2018, but at slower pace than in the precedent quarters of the year. The easing in this quarter has been lower than expected, but it still remains below 2003 historical average. Among the five largest economies of the Euro area we can observe different situations, while in Germany, France and the Netherlands there have been a slight easing on the credit standards, in Spain and Italy the credit standards have remain unchanged. Among the rest of the Euro area countries there are six countries (AT, LT, LV, PT, SI, SK) that have seen how their credit standards became tighter during this third quarter. The principal factor for easing the standards continued to be competitive pressure from other banks and non-banks reinforced by a lower perception of risk due to the improvement on the general economic situation and the housing market prospects.

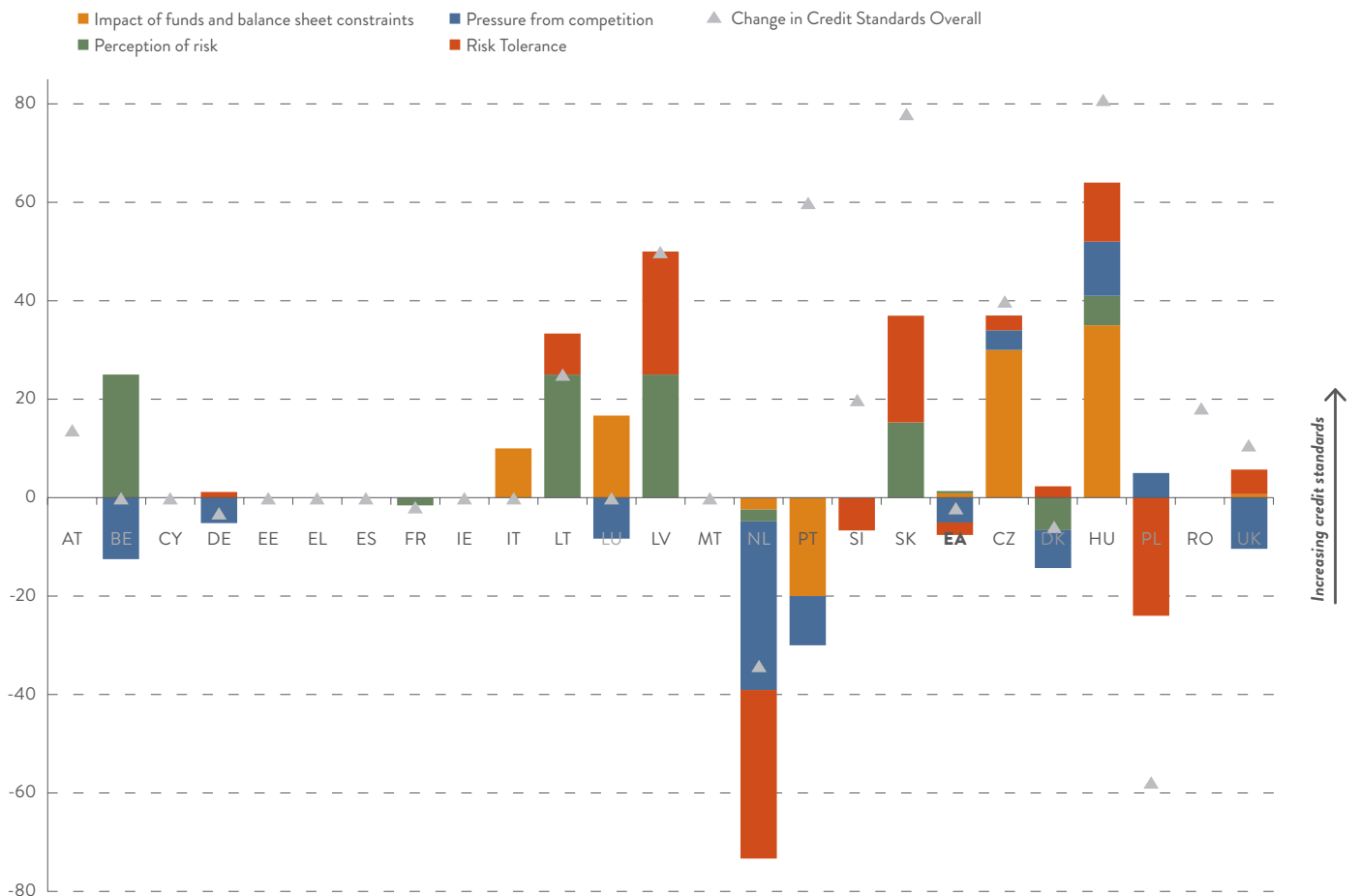
Outside the Euro area, Denmark experienced a change in the trend and for first time since Q3 2017 the credit standards slightly eased. The opposite situation is observed in the UK where for first time since Q1 2017 the credit standards tightened with respect to the previous quarter. Moving now to the east, in Poland, the credit standards on the country tightened considerably while its neighbour country, the Czech Republic, followed the same trend since credit standards in the country tightened by 40% with respect to the previous quarter. Moving to the south, in Hungary, the credit standards have significantly eased by 80.9%. Finally, in Romania credit standards eased too but by a lower amount of 18%.

TABLE 6B | FACTORS THAT HAVE AFFECTED SUPPLY IN Q3 2018 (BACKWARD-LOOKING 3 MONTHS)
(AS A NETTED AND WEIGHTED PERCENTAGE OF ALL RESPONDENT BANKS)

III 2018	AT	BE	CY	DE	EE	EL	ES	FR	IE	IT	LT	LU	LV	MT	NL	PT	SI	SK	EA	CZ	DK	HU	PL	RO	UK	
Change in Credit Standards Overall	14	0	0	-3	0	0	0	-2	0	0	25	0	50	0	-34	60	20	78	-2	40	-6	81	-58	18	11	
FACTORS AFFECTING CREDIT STANDARDS:																										
Impact of funds and balance sheet constraints	0	0	0	0	0	0	0	0	0	10	0	17	0	0	-2	-20	0	0	1	30	—	35	0	0	0	1
Perception of risk	0	25	0	0	0	0	0	-2	0	0	25	0	25	0	-2	0	0	15	0	—	-7	6	—	—	—	
Pressure from competition	0	-13	0	-5	0	0	0	0	0	0	0	-8	0	0	-34	-10	0	0	-5	4	-8	11	5	0	-10	
Risk Tolerance	0	0	0	1	0	0	0	0	0	0	8	0	25	0	-34	0	-7	22	-3	3	2	12	-24	0	5	

NOTE:
 For UK there are different factors and following assumptions were made: tight wholesale funding conditions > impact of funds and balance sheet constraints; market share objectives > pressure from competition; changing appetite for risk > Risk Tolerance
 For DK following assumption: Credit standards - competition > Pressure from competition; credit standards - perception of risk > perception of risk; credit standards appetite for risk > Risk Tolerance
 For CZ there are different factors and following assumptions were made: cost of funds and balance sheet constraints > impact of funds and balance sheet constraints; pressure from other banks and non-banks > pressure from competition.
 For HU the factors have suffered a change in the sign (positive net change indicator = contributed to tightening); also there are different factors so the following assumptions were made: changes in bank's current or expected capital position + changes in bank's current or expected liquidity > impact of funds and balance sheet constraints; competition from other banks and non-banks > pressure from competition.
 For PL there are different factors and following assumptions were made: current or expected costs related to your bank's capital position > impact of funds and balance sheet constraints;
 For RO there are different factors and following assumptions were made: current or expected costs related to your bank's capital position > impact of funds and balance sheet; competition from other banks and non-banks > pressure from competition.

CHART 4 | CREDIT STANDARDS OVERVIEW AND FACTORS



2. CREDIT DEMAND:

TABLE 7A | DEMAND HISTORIC EVOLUTION (BACKWARD-LOOKING 3 MONTHS)
(AS A NETTED AND WEIGHTED PERCENTAGE OF ALL RESPONDENT BANKS)

	IV 2015	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018
AT	0	14	14	0	0	29	29	43	14	14	0	-14
BE	-50	25	50	-25	50	-50	0	-25	0	0	0	0
CY	25	50	25	25	75	25	25	75	100	80	100	50
DE	7	21	7	-10	3	4	-7	0	0	14	21	3
EE	-13	13	25	25	25	0	38	25	13	20	30	0
EL	75	50	25	25	25	-25	0	25	0	25	25	25
ES	33	-11	-11	-11	0	11	11	11	11	22	22	22
FR	9	26	40	52	52	68	29	-21	-21	-40	17	-22
IE	0	0	20	10	10	30	20	20	20	10	30	-10
IT	63	75	50	63	75	29	10	30	10	10	20	10
LT	0	0	75	50	0	25	0	-25	0	0	25	0
LU	0	17	0	0	17	-17	33	67	17	17	17	-17
LV	25	0	75	50	0	0	25	33	50	75	50	25
MT	-34	53	42	0	0	-45	14	14	13	55	55	56
NL	99	91	75	58	78	-10	72	53	47	33	51	49
PT	100	0	60	60	60	80	60	40	80	40	40	60
SI	40	40	60	40	20	20	40	20	40	0	20	-20
SK	25	25	83	-9	34	50	12	10	34	-26	93	-2
EA	29	32	30	23	36	24	19	12	8	5	23	5
CZ	46	61	67	20	90	3	1	-32	39	-25	-2	45
DK*	-9	1	2	32	-20	2	-11	14	2	-11	0	11
HU	56	44	100	59	78	77	96	42	51	72	85	51
PL	32	34	-14	-74	19	22	29	-14	-13	76	40	11
RO	39	76	-31	-72	45	45	9	19	-31	50	-15	
UK**	8	12	22	-44	6	-15	2	-6	8	-29	5	3

NOTE:

* Data taken is "demand for loans - existing customer" as DK does not provide an aggregate figure for demand (we left aside the "demand for loans - new customers")

** Data taken is "change from secured lending for house purchase from households"

Credit demand continues to increase but at a slower pace, with a 5% increase, lower than the 23% increase experienced the previous quarter, but closer to the historical average. In the large Euro area countries, net demand for loans for house purchase increased in all countries except for France, where it remained unchanged. Looking at all the Euro area countries the picture is quite heterogeneous, with some countries registering significant increases, such as Portugal and Malta, while in others the decrease has been significant, such as the case for France and Slovakia. Main factors behind the rise on demand were the favourable prospects of the housing market and the low general level of interest rates. Consumer confidence also had a positive impact, except for Italy and France. In some countries, such as Germany and Spain, alternative sources of financing house purchases and other financing needs have slightly dampened the demand for housing loans.

In Denmark and the UK, the demand slightly increased compared to the second quarter of the year. Poland also experienced an increase in the demand for mortgage loans. However, the more significant increase took place in Czech Republic where the demand almost doubles compared to the previous quarter. A similar path was followed by Hungary during this last quarter where credit demand for house purchase more than double. Outside of this positive trend we find Romania where credit demand has diminished by almost 39%.

TABLE 7B | FACTORS THAT HAVE AFFECTED DEMAND IN Q3 2018 (BACKWARD-LOOKING 3 MONTHS)
(AS A NETTED AND WEIGHTED PERCENTAGE OF ALL RESPONDENT BANKS)

III 2018	AT	BE	CY	DE	EE	EL	ES	FR	IE	IT	LT	LU	LV	MT	NL	PT	SI	SK	EA	CZ	DK	HU	PL	RO	UK	
Change in Demand Overall	-14	0	50	3	0	25	22	-22	-10	10	0	-17	25	56	43	60	-20	-2	5	45	11	51	11	-39	3	
FACTORS AFFECTING CREDIT STANDARDS:																										
Impact of housing market prospects	0	0	50	7	10	25	11	6	10	20	0	17	25	56	49	60	20	26	14	23	—	—	56	—	—	
Other financing needs	0	0	50	7	0	0	33	29	10	0	0	17	0	0	50	40	20	41	18	-15	—	—	0	—	—	
Consumer confidence	0	0	75	7	20	0	22	0	10	0	0	0	25	56	49	60	40	26	11	29	—	—	3	—	—	
Use of alternative finance	0	0	13	0	0	0	-6	-1	-10	0	0	0	0	0	32	-10	0	13	1	0	—	—	—	—	—	
General level of interest	0	0	8	-8	0	0	-4	0	-3	0	0	0	0	-5	0	-7	-13	12	-3	3	—	—	27	—	—	

NOTE:

DK, HU, RO and UK do not provide factors affecting the Demand, but a breakdown of the different types of lending

For CZ there are different factors and the following assumptions were made: non-housing related expenditure > other financial needs; household savings > internal financing out of savings/down payment; level of interest rates > general level of interest.

For PL there are different factors and the following assumptions were made: changes in consumption expenditure > changes in consumer confidence; use of alternative financing sources > impact of other sources of finance; changes in terms on housing loans > impact from loans of other banks.

CHART 5 | DEMAND OVERVIEW AND FACTORS

■ Impact of housing market prospects ■ Other financing needs ■ Consumer confidence
■ Use of alternative finance ■ General level of interest ▲ Change in Demand Overall

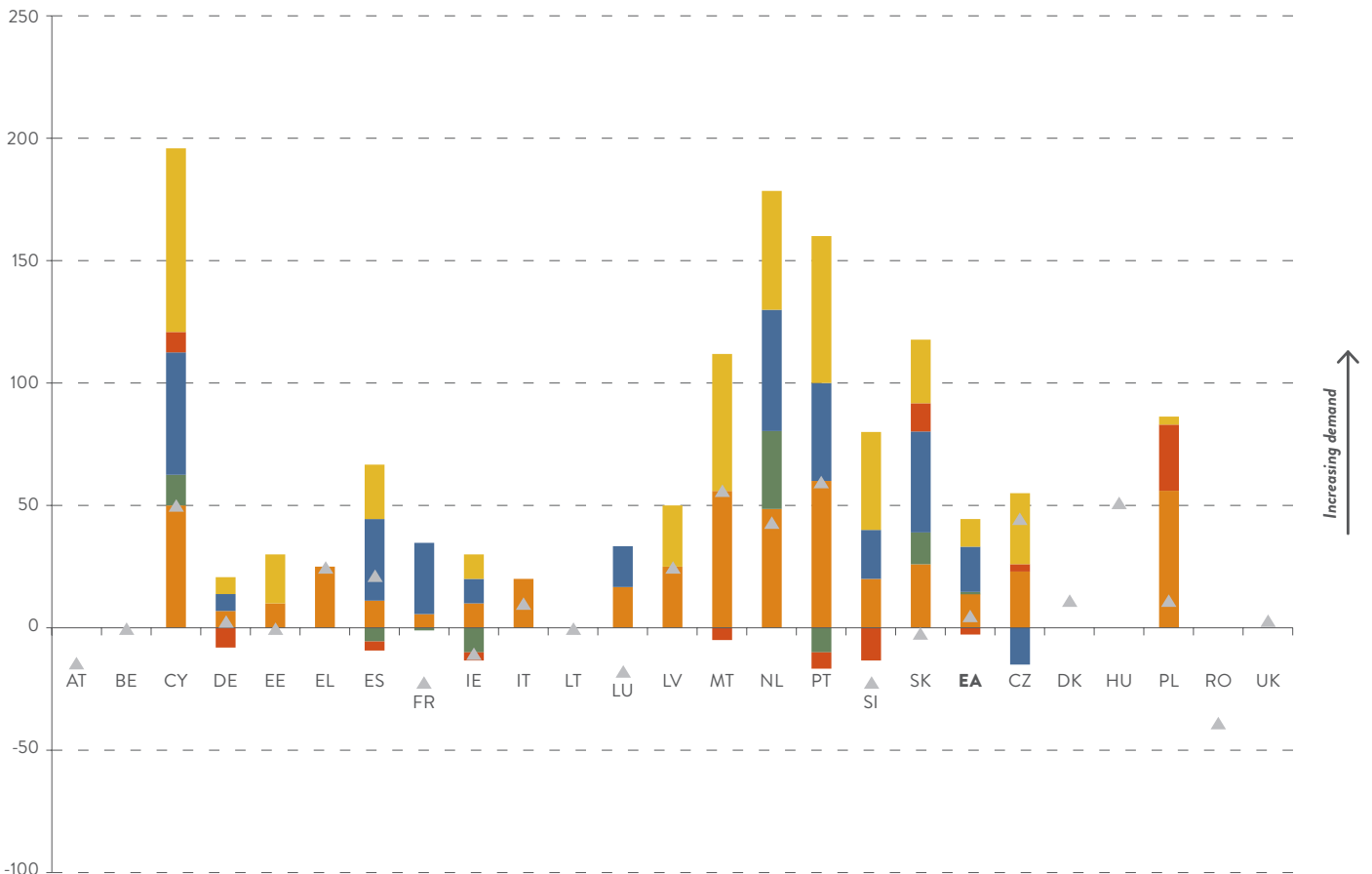
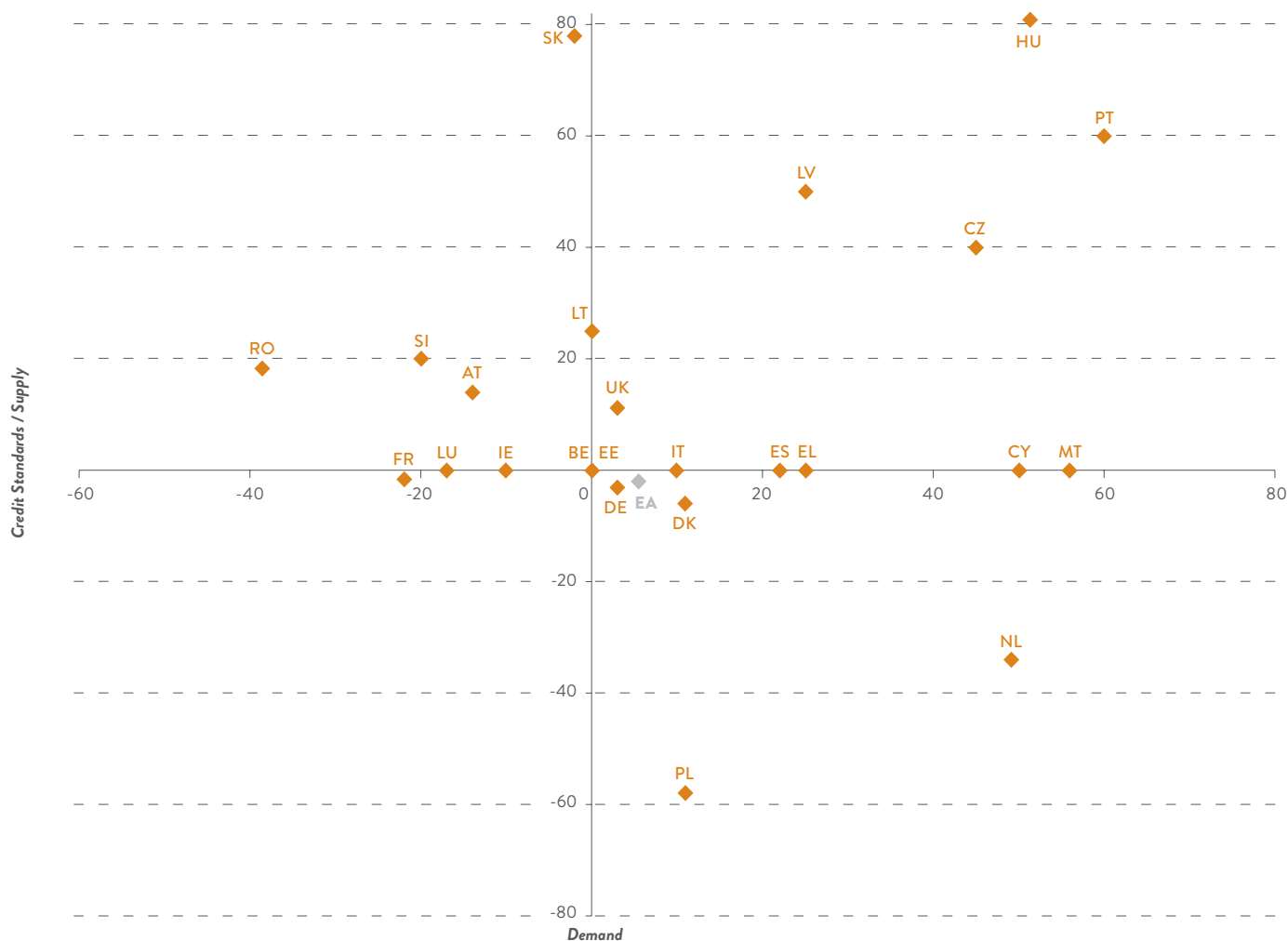


CHART 6 | DEMAND AND SUPPLY OVERVIEW



3. SCATTER PLOT:

In Q3 2018 the cloud of countries is more dispersed than in previous quarters, reflecting the growing differences among countries. If in the second quarter all the countries were on the right side of the chart, reflecting the general increase in demand, in this third quarter some countries have experienced a diminished demand which has shifted them to the left side of the Y-axis.

On the credit standards evolution we can observe different patterns too but as the demand, it is also characterised by a bigger dispersion. Due to it the number of outliers has also increased, we can observe opposite situations as for example the one from Slovakia and Poland or France and Portugal. In Slovakia credit standards have eased by 80% compared to the previous quarter while in Poland the tightening has reached almost 60%. In France credit demand has gone down by 20 pps, oppositely in Portugal it has increased by 60 pp.



Q3|2018

QUARTERLY REVIEW
OF EUROPEAN
MORTGAGE MARKETS



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