

# EMF

FUNDING THE REAL ECONOMY

# Q2 | 2019

## QUARTERLY REVIEW OF EUROPEAN MORTGAGE MARKETS

European Mortgage Federation

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### INTRODUCTION

In the second quarter of 2019 GDP rose by 1.2% in the Euro area on a yearly basis and by 0.2% quarter on quarter (q-o-q). The biggest contributor was final household consumption expenditure with a positive evolution of 0.2%. At the same time, the number of persons employed increased by 0.2% compared to the first quarter of the year while the job vacancy rate remained stable at 2.3%.

In this macroeconomic context, important developments in European mortgage markets have occurred. For the first time since the third quarter of 2016, the mortgage market of our sample<sup>1</sup> slightly contracted, with the total outstanding residential lending decreasing by 0.1% on quarterly basis. However, the market is still growing if we look at the year-on-year (y-o-y) growth which was 3.1% and gross residential lending which increased by a remarkable 9% after the negative figure of the previous quarter.

In this environment a lack of supply and affordability challenges continue to be some of the main issues in the majority of jurisdictions, leading authorities to implement and update different measures and policies in order to try to address this evolution.

On the other hand, interest rates continued to decrease for the majority of jurisdictions and the average rate of our sample again decreased, to the level of 2.36%. Also worth mentioning is the fact that while in previous quarters the variance among countries increased considerably, in this second quarter it returned to past levels with a significant reduction q-o-q.

Finally, on house prices, the trends are different among jurisdictions, however a generalised stabilisation of housing inflation can be observed.

### MORTGAGE MARKETS

#### MARKET DEVELOPMENTS

As previously highlighted, during this quarter, the European mortgage market of our sample has slightly decreased in terms of outstanding residential lending which amounts now to EUR 7,075 bn, with gross residential lending at EUR 292.4 bn in aggregate terms. In the following paragraphs a more detailed overview of the different developments at national level is presented.

In **Belgium**, during the second quarter of the year the number of mortgages granted went up by almost 13% compared to the same period of last year. On a more granular basis, loans for house purchase grew by 10.7%, those for construction by 1%, loans for purchase and renovation went up by 28% and, finally, those for renovation by 7%. In this context, the outstanding amount also grew by almost 5.4% on a yearly basis, pointing to an overall positive evolution of the mortgage market in the country. Similarly, in **France**, residential mortgage market dynamics remained strong during the last quarter, contributing to the increase in new lending of more than 12%. The outstanding amount also increased by 1.8% and 6.4% on a quarterly and yearly basis respectively. The same path was followed by **Germany** where, according to preliminary data, during the second quarter of 2019 gross residential lending rose by 2.1% compared to the same period of the previous year, amounting to EUR 55,5 bn. The volume of outstanding

<sup>1</sup> In Q2 2019 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 2018).



residential loans also grew by 5.2% y-o-y, reaching EUR 1,484 bn. This remarkable growth points to the strong demand for houses and apartments as well as the favourable underlying conditions for house purchase attributable to an ongoing positive macroeconomic environment and positive financing conditions. In the **Netherlands** the mortgage market experienced a slow down with outstanding mortgage lending increasing by a marginal 0.7% on a yearly basis and gross residential lending contracting by 9.1%.

Turning now to the South of the continent, a positive evolution is observable in **Italy** in outstanding terms. In Q2 2019 the stock of outstanding residential mortgages continued to grow and reached EUR 382.2 bn. On the other hand, gross residential lending experienced a decrease of 15.8% on a yearly basis reaching EUR 15.2 bn. In **Spain** the mortgage activity showed some signs of deceleration in the latest quarter as new gross residential lending amount decreased by 4.4% y-o-y coupled with a contraction of 1% in the outstanding mortgage market. The decrease in lending can be attributed to the combination of several circumstances, including moderate global economic growth, Spanish political uncertainty and the adaption of the Spanish market to the entry into force of the new Law 5/2019 regulating Real Estate Credit Agreements. The latter development in particular implies more bureaucracy, slowing down the whole loan granting process. In **Portugal** the evolution of the mortgage market has been quiet. The total outstanding amount remained stable y-o-y with an increase of 0.1% on a quarterly basis. Gross residential lending experienced a more positive evolution with an increase in new loans of 9.7% q-o-q, an increase that puts lending closer to the figures recorded before the crisis. This positive evolution was mainly driven by better economic conditions of households together with low interest rates.

Moving to the East, in **Czechia** the mortgage market in the second quarter of 2019 was in line with expectations and experienced a contraction of 15% y-o-y in terms of gross residential lending. This important contraction of the market confirmed previous quarters' trends. The main factors behind the contraction of the market are of a regulatory nature, namely, the new requirements on DTI and DSTI ratios introduced by the Czech National Bank. Furthermore, no reversal of this negative trend is expected in the coming months. However, the outstanding amount continued to increase by over 10% on a yearly basis. Meanwhile, in **Hungary** in a positive macroeconomic context with GDP growth of 4.9% together with a positive evolution of the industry and of private consumption, the volume of newly issued mortgage loans grew by a significant 26% in the second quarter of 2019 compared to the previous quarter and by 9% on a yearly basis. Furthermore, the total outstanding portfolio grew by 1.5% q-o-q. The main reasons behind this dynamic growth of residential lending are the increase in the average mortgage amount as well as to the subsidies provisioned to families with 1 or more children. In **Poland** mortgage market dynamics peaked in Q2 2019 as the number of new loans granted during this period amounted to 59,321, a growth of 17% compared to the first quarter of the year. The total number of residential mortgage loans granted by Polish banks amounted to over 2,3 mn. Not only the number but also the amount of the loans granted increased with the average loan 3% higher on average than during the first quarter. The reasons for the increase are two-fold, on the one hand the increase in prices and on the other hand the improvement of credit affordability of Polish households. Therefore, the outstanding amount of residential loans increased by 8.6% y-o-y. In **Romania** during the second quarter the stock of mortgage credit continued to grow, albeit, at a slower rate than in previous months. Nevertheless, the increase q-o-q was 1.6%, and 9.4% on a yearly basis. New gross residential lending also recovered, growing by 6% compared to the previous quarter, with almost all new loans granted in

local currency. Meanwhile, credit standards applied to loans for house and land purchase remained unchanged favouring the granting of mortgages. Finally, the NPL ratio for mortgages reached 2.44% at the end of the quarter, indicating that the decreasing trend is continuing.

As far as the Nordics are concerned, in **Denmark** total outstanding residential mortgage loans increased, amounting to DKK 1,903 bn at the end of the second quarter, 0.9% higher than in the previous quarter and 2.7% higher compared to the same quarter the previous year. Gross lending grew as well by 72% q-o-q, a remarkable figure which is mainly due to the high degree of remortgaging. Indeed, loans with an aggregate value of DKK 99.7 bn were remortgaged. The mortgage market grew in **Finland** as well, with the total outstanding amount increasing by 2% with respect to the previous year. However, gross residential lending decreased by 3.6% on a yearly basis, reflecting the slightly lower demand from households and investors. In this context, **Sweden** also experienced a slowdown of its mortgage market as has been the trend for two years now. The outstanding amount grew by 5.2% while gross residential lending increased by a more modest 2.6%. This slowdown was mainly due to the high house prices and the stricter amortisation requirements that entered into force in March 2018. Finally, a slowdown in construction of new housing also influenced the market.

Moving to the West, in the **UK** following a first quarter in which growth was inflated due to unprecedented levels of stockpiling by manufacturers ahead of a potential no-deal in March, GDP fell by 2% in the second quarter, representing the first drop in growth levels since the end of 2012. In this context all sectors experienced declines and residential house purchase lending also decreased by 2.5%, however, the outstanding amount still presented an increase of 1.8% y-o-y. This growth was mainly driven by first time buyers who still benefit from government support in the form of a stamp duty exemption and the Help to Buy Equity loans scheme. Home movers also increased but at a lower rate remaining far below historical norms. In this context, remortgaging continued to increase by 3.1% in the second quarter but levels still remain low compared to the previous year when remortgaging surged mainly due to pro-active measures from lenders to ensure borrowers on long term reversion rates were aware of potential alternatives and savings by refinancing their loan. Finally, BTL house purchase activity declined by 1.2% following the trend initiated in the last quarter of 2017. In **Ireland** mortgage approval volumes rose by 8.1% y-o-y during the second quarter. Purchase and non-purchase mortgages grew at a similar rate with first-time buyers representing the strongest segment with a rise of 14.2%. These increases helped to boost gross residential lending which grew by 11.7% on a yearly basis while the outstanding amount still decreased by 7.6%.

#### REGULATION & GOVERNMENT INTERVENTION

On the legislative side, several new measures were introduced during the second quarter of the year and others are being studied in different jurisdictions in order to be implemented in the near future. Moreover, some of the measures applied during the first quarter of the year are still showing their effects.

As announced in previous editions of our Quarterly Review, important measures are about to be introduced in **Belgium**. The National Bank of Belgium in its role as macroprudential supervisor has established new requirements for banks and insurance companies active in the residential real estate market in order to protect the country's financial system against potential risks or shocks. The measures studied concern explicit expectation of the NBB for financial institutions to exercise more restraint in granting mortgage loans with very high loan-to-value

ratios, and to take greater account of households' indebtedness and their monthly repayment burden. Banks and insurance companies have been consulted on the proposed measures and these have been already publicly announced. The measures if approved should apply from 2020.

New measures have been announced in **France** as well. The government will introduce new measures in order to boost energy efficient renovation of properties by reorienting subsidies from first-time buyers to low income households. Moreover, concerns from authorities in relation to the fast growth of the outstanding amount of housing loans could prompt further measures. The Governor of the Bank of France has once again warned banks to be careful in their risk policies, with a focus on the increase in the maturity of loans as well as LTV and LTI ratios. At the same time, he also acknowledged the low level of arrears of French banks.

In **Poland** in June 2019 the government adopted a draft anti-usury act, which aims to introduce stricter limits on non-interest costs of credit granted to consumers for mortgages, as well as for consumer loans. Costs independent of the duration of the loan will be limited to 10% of the total credit amount instead of the current 25%, costs dependent on the duration will as well which are currently 30% will be limited to 10% too. On 28 June 2019 and in accordance with Directive 2015/1535, the draft was notified to the EC and work on the draft was suspended for a period of three months.

Likewise, in the regulatory field in **Romania** there have been important developments. The most significant initiative has been the introduction of the Consumer Credit Index (IRCC) following the adoption of Emergency Ordinance no. 19/2019 which will replace the ROBOR index used to calculate interest on loans with variable interest rates. Although the first value published from the IRCC was lower than that of ROBOR, prudent behaviour in contracting floating rates is mandatory given the risk stemming from the variability of the index over the contractual period. On another note, the new provisions regarding certain lending conditions which have been in force since January are still having an impact on the market.

In **Sweden** the government decided to reintroduce the cap on capital gains tax postponement when buying a new house. The new cap has been increased from SEK 1.45 mn to SEK 3 mn (EUR 280,000), a relatively small change which will probably only have a small impact in the market and only limited negative consequences. Furthermore, the stricter amortisation requirements introduced in the previous quarter are still having a visible effect on the development of housing loans.

In **Czechia** the effects of the new regulation on income indicators, DTI and DSTI, are still visible. Moreover, given the latest developments in interest rates and price dynamics, no changes in the regulation introduced are expected in the short term. Furthermore, a new law to introduce these requirements is being discussed. If introduced it will make compliance of loan providers with the maximum credit indicators introduced by the Czech National Bank more enforceable. This would be also in line with the latest conclusion of the European Systemic Risk Board (ESRB) which takes into account the most recent developments of housing markets and financing.

In **Portugal** the Central Bank has introduced several measures in order to counterbalance the less strict criteria for credit granting that have been favoured by the recovery of economic activity, the dynamics in the real estate market and the greater competition between banks. This macroprudential measure applies to agreements concluded from 1 July 2018 and covers all credit institutions and financial companies that have their head office or branch on Portuguese territory and are authorised to grant this type of credit in the country. This measure

includes the introduction of three new limits, established as follows: a cap on the LTV, a cap on the original maturity of the loan and finally a 50% cap on the DSTI with some exceptions.

On another note, in **Ireland** the government announced the introduction of a second tranche of funding for infrastructure projects to support affordable housing in August 2019. This funding will support 3,200 affordable homes for purchase. Furthermore, the government will designate 19 additional areas as rent pressure zones where rent increases would be capped at 4% per annum. This is expected to cover 65% of renters.

Since the beginning of the year in **Finland** household over-indebtedness and new macroprudential tools are still the main discussion topics. The working group that was established to tackle the issue by the Ministry of Finance published its report on 1 October 2019 and a new legislative proposal on macroprudential tools could be introduced early in 2020. Similarly in the **Netherlands** despite no new regulation having been introduced yet, the Dutch Central Bank sees a risk of financial instability due to ever-growing national mortgage debt due to persistently high house prices. They consider that prices are still rising "worryingly fast", worsening house affordability and they therefore propose to curb that growth through a reduction in mortgage interest deduction and by fixing a lower maximum LTV.

## HOUSING MARKETS

### HOUSING SUPPLY

In **Denmark** housing supply increased compared to the second quarter of 2018, however, the increase of owner occupied flats in the capital city was more moderate with a 5.2% increase on a yearly basis. In an historical context, both supply and demand are still at low levels. Furthermore, new regulations that have been recently implemented together with the upcoming introduction of new property taxes expected in 2021 have influenced market activity particularly in Copenhagen. In this context, overall trading activity was somewhat lower than a year ago. Sales decreased by 0.22% for houses and 1.1% for apartments. At the end of the second quarter 36,400 houses and 7,985 apartments were for sale, reflecting a decrease of 2% for houses and an increase of 7.3% for apartments compared to the same period last year. In **Finland** the number of new housing permits issued has been decreasing reflecting the cooling down of the construction market. However, the actual offer is expected to remain high due to the numerous projects that were started at earlier stages and will be finished in the coming years. This high level of supply is expected to keep prices under control. The numbers collected in **Sweden** compared with those from 2017 turned out to be lower and they are expected to be even lower in the coming years. Despite the fact that supply is relatively high, many buildings have become hard to sell in many cities due to affordability problems, therefore, constructors have slowed down the planning and construction of new dwellings.

Moving to the **Netherlands** there are increasing signals that the housing market has passed its peak. Supply of new-built homes is lagging far behind and also the number of house purchases has decreased by 7% y-o-y. In **France** housing supply is still limited and the construction sector is still suffering. This limitation on the supply side together with high demand is reflected in the price increases experienced, particularly in the capital city.

In the South, in **Portugal** the Housing Market Survey in June suggested a relatively subdued market backdrop, however, every market segment has followed a different path. In the rental market the demand continued to rise moderately.



In the purchase market, enquiries from buyers declined in the second quarter while expectations for the coming months remain stable in Porto and Lisbon. As an ongoing trend, instructions to sell have been in decline for the past three years and subsequent lack of stock available on the market is likely to play its part in weighting demand. In the rental market, tenants demand growth has cooled off lately resulting in a noticeably slower rental growth.

Turning to the centre and east of Europe, in **Poland** during the second quarter around 47,315 dwellings were completed and the number of new constructions started was 61,514. Furthermore, 710,474 permits for the construction of dwellings were issued, representing an increase of 25% q-o-q. Despite construction continuing its positive trend, some factors such as growing land prices, increasing costs of construction and shortages in workforce create tensions in the market. In **Hungary** supply is also increasing, however, it still remains well under the levels of the previous year. During the second quarter of the year the number of dwellings completed was 2,811 for the country and only 440 in Budapest. This represents a reduction of almost 50% compared to the same period of the previous year. This slowdown is mainly due to the scarcity of skilled manpower, which is delaying the whole construction process, despite the fact that the number of building permits issued is growing steadily by 4.5% y-o-y. In **Romania** during the first half of the year the number of building permits issued fell by 0.9% y-o-y, however, the volume of construction works in residential building grew by 32.2%. Moreover, the number of dwellings completed in the first quarter was 19.2% higher than compared to the same period the previous year.

Finally, in **Ireland** more than 4,900 new dwellings were completed in the second quarter of the year which represents an increase of 11.8% on a yearly basis but at the same time only 5,700 new dwellings were started, decreasing by 6.8%. However, this decrease in the second quarter was compensated by a strong first quarter during which starts in the first half of the year increased by 16.8% y-o-y. Similarly, the number of residential properties sold rose by 2.3% y-o-y to almost 10,300 in Q2 2019.

#### HOUSE PRICES

On house prices, it remains possible to differentiate three groups as in past editions: those countries in which house prices increased at most 2% y-o-y, those in which the growth was between 2 and 5%, and, finally, those countries in which house prices grew by more than 5% on a yearly basis.

Within the first group, **Italy** is the only country where house prices have decreased compared to the previous quarter. More in detail, in Q1 2019, the last available datapoint at the time of writing, prices of new dwellings decreased by 0.5% q-o-q while prices for existing dwellings fell by 0.6%. In **Finland** despite the house price index having grown in aggregate terms, the evolution of house prices during the last quarter was very much dependent on the area. Big cities are growing, and higher demand is pushing prices up. Meanwhile the rest of the country is experiencing a loss of population and therefore prices are lower and lower. On average prices grew by 1.6% on quarterly basis. Similarly moderate price increases were experienced in **Sweden** where prices for one-family homes increased by 2% on a yearly basis and prices for apartments grew by 1% confirming the stabilisation of house prices. Finally, the last country of this group is the **UK** in which house price inflation inched down to 1.4% in Q2 2019, which constitutes the lowest rate of growth since the beginning of 2013. This low growth rate was mainly driven by continued declines in London and the surrounding South East region of England.

Among those with a slightly higher growth rate we have **Spain** where the housing market continued its positive performance and prices increased by 3.1% y-o-y, with a more modest increase of 0.1% on a quarterly basis. After several years of remarkable price increases, especially in coastal regions and the main cities of the country, the latest figures showed a normalisation of the inflation rates. Particularly in Barcelona where the lowest price increase since 2015 on a yearly basis was recorded, prices increased by 3.6% compared to the same period of the previous year. Similarly, in Madrid price increases seem to have stabilised. Nevertheless, further data will be needed to confirm the stabilisation of prices of the real estate market in Spain. In **Belgium** despite the fact that the figures from the Ministry of Economy are not yet available, looking at those published by the notary barometer we observe an average house price in the country of EUR 260,145, this represents an average increase of 2.5% on a quarterly basis and a 3.7% compared to the same period of the previous year. If we take a closer look at the different regions, we observe a homogenous evolution as prices increased in the three regions. The biggest increase took place in Brussels region where prices grew by 5% q-o-q, the same percentage increase as the one registered in Wallonia. However, the increase in Flanders was smaller with an average growth of 1.9% q-o-q. In **Ireland** house prices increased on a yearly basis by exactly 2% on average, the lowest rate recorded since 2013. Prices in Dublin rose by only 0.1% y-o-y and prices outside Dublin by 3.9%. In **Denmark** the evolution of house prices has been more heterogeneous, with the average price growth around 3%. The price for single family houses rose by 3.1% on a yearly basis, while that for owner occupied apartments slightly declined by 0.3%. Looking at the capital city, in Copenhagen the price for owner occupied apartments was 2.5% lower than the same period of the previous year. Finally, in **France** despite the fact that the average price of dwellings in Paris crossed the symbolic EUR 10,000 square meter line, average house price inflation remained stable.

The third group gathers the majority of countries i.e. those with an increase higher than 5% on a yearly basis. This is the case in **Hungary** where during the first quarter of the year (latest data available) the house price index increased by 6% q-o-q and by 19% y-o-y. However, differences among regions were remarkable. In the capital and in the main cities the price growth was above the average, with an increase of 22%, but the highest increase was recorded in the regions of North Hungary and Central Transdanubia. In **Germany** house prices increased in owner occupied housing by 7.3% y-o-y. Similarly, prices for single-family houses and condominiums went up by 7.6% and 6.4% respectively. The determinants of this price growth was mainly a lack of supply compared to demand. If we look at the 7 biggest cities the increase in prices was somewhat lower, at 4.1%, reflecting the loss of momentum of the big cities as prices were already higher than in the rest of the country making housing in these areas less affordable. In the **Netherlands** as well, house prices grew by 7.2% y-o-y in the second quarter. However, in Amsterdam the average price raise was below the average of the country for the first time since 2013 signalling that the market in the capital has already passed its peak on prices. The main driver of house price increase is the shortage of home in the Netherlands, especially in the urban environment where prices are expected to continue rising. This shortage of offer together with high demand has also pushed prices up in **Poland**, where house prices increased both in the primary and secondary markets. In the primary market the biggest transactional price growth was observed in Szczecin with an 8.8% q-o-q increase, followed by Rzeszów (+7.9%) and Zielona Gora (+5.9). In the secondary market price growth was led by Bydgoszcz with an 6.8% q-o-q, Gdansk (+6.4%) and Zielona Gora (+6.4%). In the capital, Warsaw, prices

increased more moderately by 1.8% and 1.3% respectively. In **Romania** prices increased steadily too during the second quarter, however, for the rest of the year a marginal increase is envisaged.

Finally, although the figures for 2019 have not been yet released, expectations point to a slowdown of house price growth in **Czechia**, but a positive trend is expected to continue in the coming years given the shortage of supply in the housing market.

### MORTGAGE INTEREST RATES

In the majority of countries of our sample, during the second quarter of the year interest rates continued to decrease in line with the trend which started several years ago. For example, in **Belgium** this low interest rate environment has favoured the positive development of housing and mortgage markets. The average interest rate in the second quarter of 2019 reached the lowest level in at least the last 10 years with an average of 1.79%. In this context, the share of mortgage loans granted with fixed-interest rate for more than 10 years was over 79% increasing by more than 10 bps since the end of 2018. On the contrary, loans granted with an initial variable period of 3 to 10 years represented 18% of the total market. In **Germany** mortgage interest rates decreased too, reaching an average of 1.63%. Similarly, in **Denmark** interest rates continued to fall, and the average interest rate reached an historical low at 0.73%. In the second quarter of 2019 households could lock mortgage rates of 1% for 30 years. Looking at the composition of the market, mortgage loans with an interest rate fixed for more than 5 years constituted 75% of the market, a quarterly increase of 18 pps. Furthermore, these low levels have had an important impact on the remortgaging market. The variable loan type with rate fixation up to 1 year experienced a drop in the average interest rate of 0.05 pps. Similarly, the variable loan type with rate fixation from 5 to 10 years experienced a drop of 0.25 pps. Finally, long-term loans with fixation periods beyond 10 years recorded the largest drop in the interest rate, namely 0.38 pps. Likewise, interest rates in **Finland** reached an all time low at 0.76% on average. Despite the average level being higher, interest rates in **France** also reached an all-time low record of 1.29% in part due to the ECB decision of maintaining a negative interest rate.

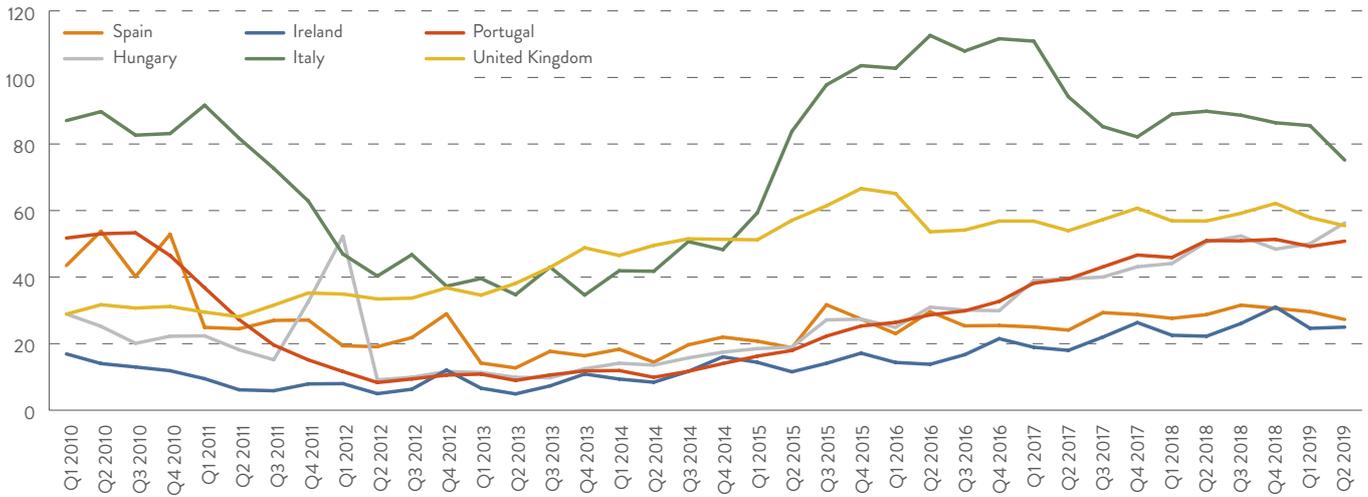
Among the countries in which interest rates decreased during the second quarter compared to the beginning of the year, in **Italy** the average rate on new transactions for house purchase decreased to 1.77%, mainly driven by the drop on interest rates with a maturity over 1 year. These interest rates went down from 2% to 1.92%, meanwhile those with a maturity under 1 year remained practically unchanged. In **Hungary** and **Ireland** interest rates decreased as well. In the former there was also a shift to fixed interest mortgage lending driven by the new regulatory instrument (PTI), therefore, 61% of the market was constituted by mortgage loans

with fixed interest rates for a minimum of 10 years. Mortgages with a fixed rate for a period of more than one year accounted for more than 72% of the new mortgages issued during Q2 2019. In the **Netherlands**, **Sweden** and the **UK** the average interest rate for the second quarter was also lower than the one registered the previous quarter. Dutch interest rates decreased for all fixed-rate periods and they are expected to go even lower in the near future. In the **UK** market expectations also indicate that interest rates will remain low by historical standards, these expectations together with fierce competition have continued to drive down fixed rate mortgages with a term of 5 years or more. In **Romania** the representative interest rate decreased by 0.68 pps q-o-q, while the share of loans granted with variable interest rates to total mortgage loans continued to rise reaching 76.2% of the market. More precisely, the preference for new loans granted with fixed interest rates dropped for short and medium term fixed new loans by 2.4 pps and 1.32 pps respectively, while they rose by 1.8 pps for long-term fixed new loans. Finally, in **Hungary** despite the Central Bank rate having remained fixed at 0.6% since May 2016, the average interest rate on mortgages for the second quarter was 5.04%, therefore, lower than the previous quarter. In this context, the share of mortgages issued with fixed rates increased reaching 61% of the market for those with a fixation period between 5 and 10 years, while the share of mortgages issued with a variable interest rate stayed at 3.24%.

Despite the trend of decreasing interest rates, there are three countries in our sample in which average interest rates experienced marginal increases. In **Czechia** the average interest rate increased slightly during the second quarter of the year reaching 2.91% on average. The recuperation of such low level after the important increase experience in the beginning of the year has been mainly driven by the continuous decreasing cost of funds for banks which have been passed onto consumers in the form of lower interest rates in order to strengthen market position and to gain competition advantage in a shrinking market. Similarly, in **Spain** interest rates recorded a marginal increase and the average reached 2.12% in the second quarter of the year. While the share of loans linked to variable interest rate indexes such as Euribor continued to increase, accounting for 38% of the market, an increase that has been roughly off set by the fall in long-fixed rate arrangements, which moved from 33% in the first quarter of the year to 30%. In **Portugal** banks apply a variable interest rate on new loans for house purchase which is determined by an external index (Euribor) and a spread. This spread which varies depending on the risk of the client and the LTV has reached historically low levels, resulting in a fall of the average interest rate on mortgages to an historically low level at 1.31%. At the same time this has increased the preference of the market for fixed interest rate products.

Finally, **Poland** is the only country in which the average interest rate has stayed stable for two quarters in a row. However, banks are slowly raising credit margins and non-interest rate loans costs.

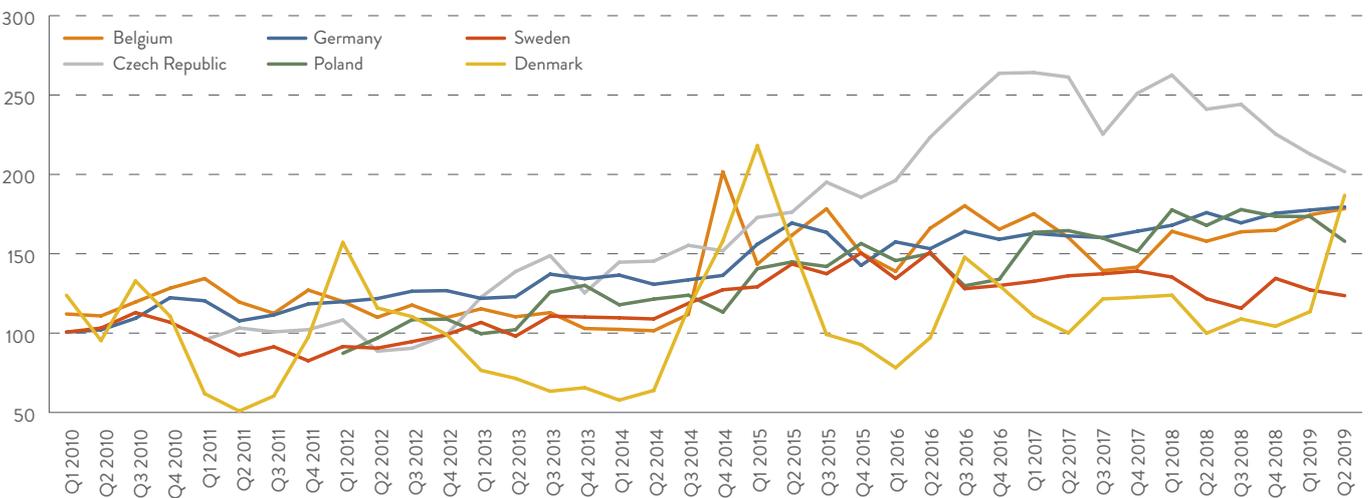
**CHART 1A** | COUNTRIES WHERE GROSS RESIDENTIAL LENDING HAS REMAINED BELOW 80% OF 2007 LEVELS



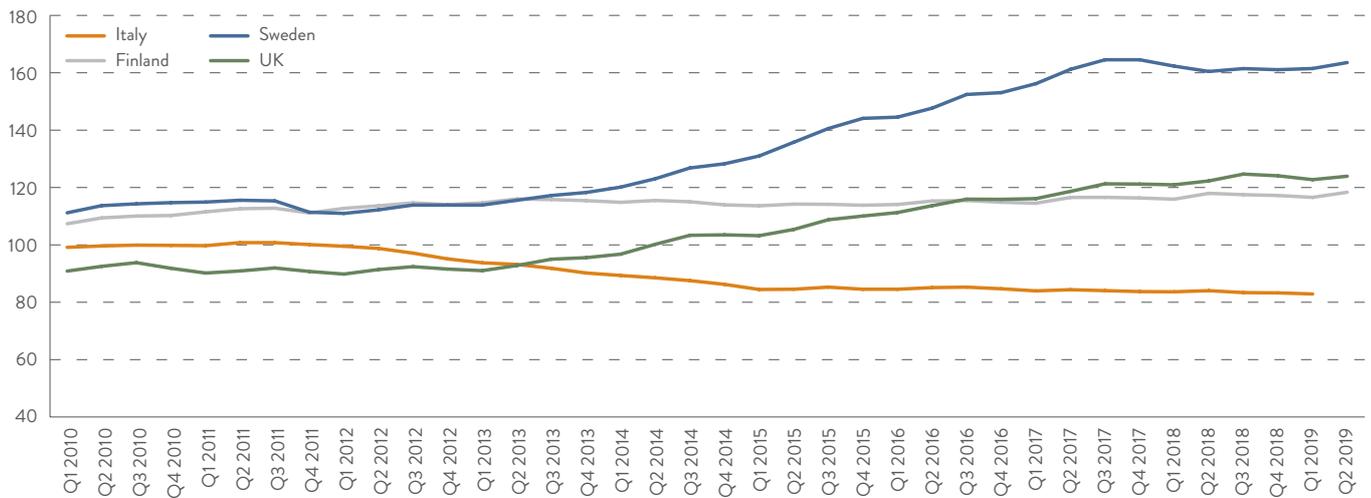
**CHART 1B** | COUNTRIES WHERE GROSS RESIDENTIAL LENDING HAS REMAINED BETWEEN 80% AND 120% OF 2007 LEVELS



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

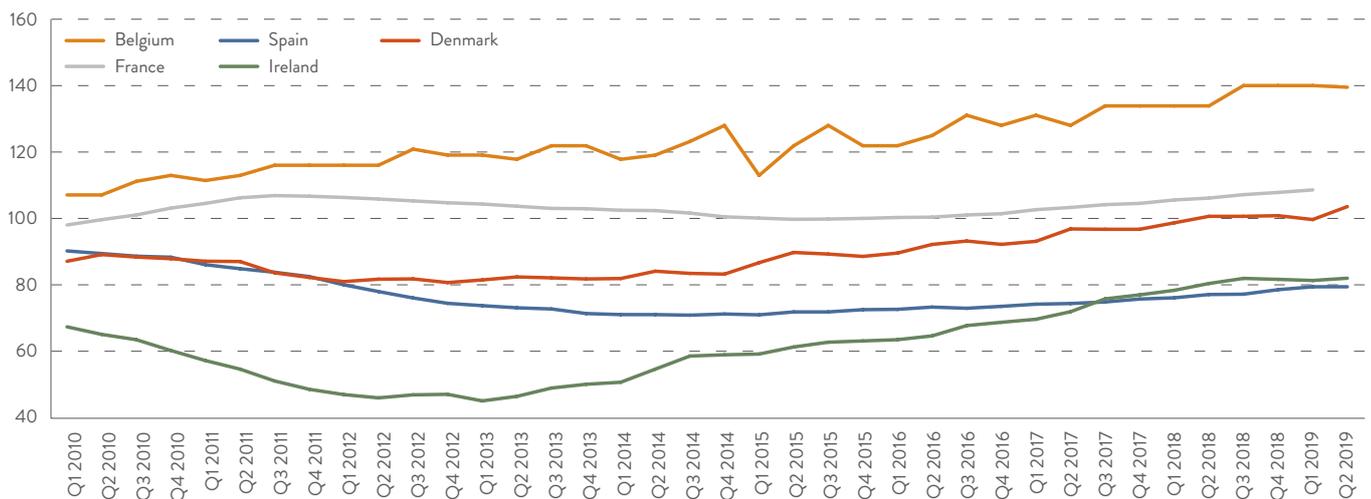


**CHART 2A** | COUNTRIES WHERE HOUSE PRICES\* HAVE INCREASED AT MOST 2% Y-O-Y



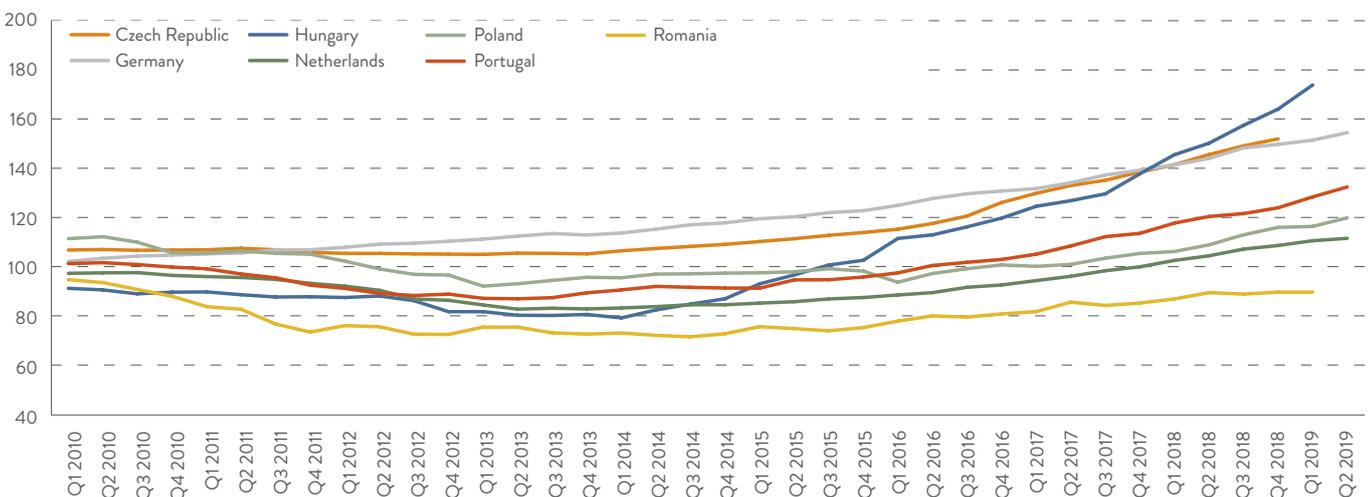
\* Average Q1-Q4 2007=100

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



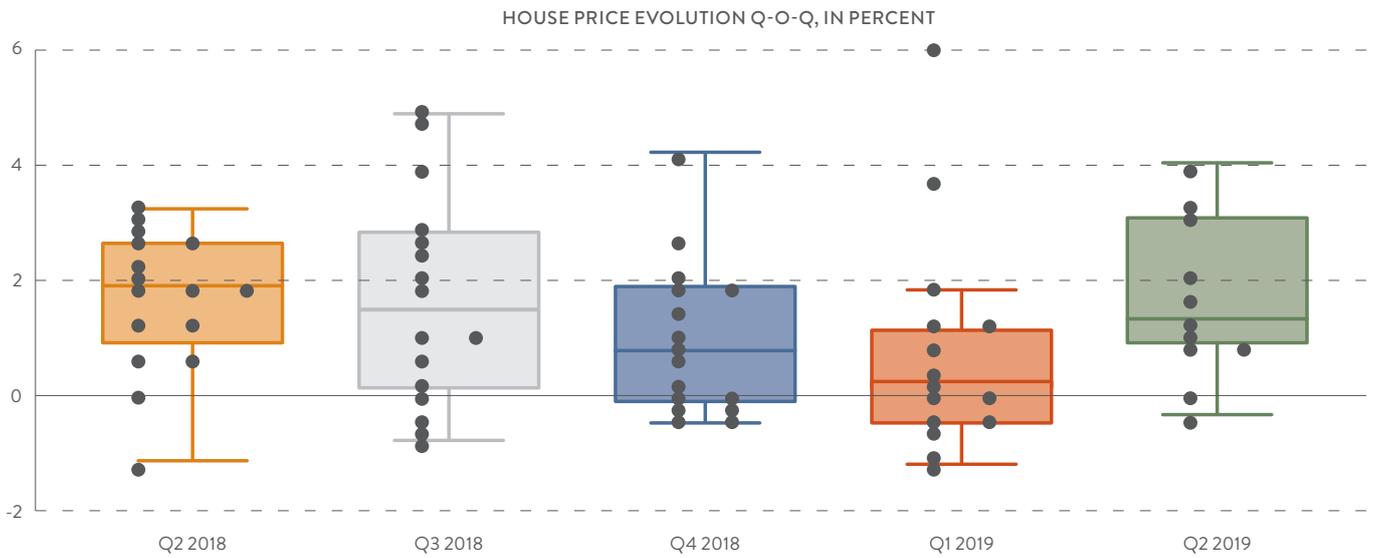
\* Average Q1-Q4 2007=100

**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 2019.

The dataset shows q-o-q growth figures of the country sample until Q2 2019 for which there are 9 datapoints instead of 16, as in 6 countries the latest House Price Index available was that of Q1 2019.

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

	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	LATEST Y-O-Y CHANGE (%), Q2 19, EUR VALUES	PREVIOUS Y-O-Y CHANGE (%), Q1 19, EUR VALUES	LATEST Y-O-Y CHANGE (%), Q2 19, LOCAL CURRENCY	PREVIOUS Y-O-Y CHANGE (%), Q1 19, LOCAL CURRENCY
BE	233,224	235,971	239,470	242,665	246,528	248,997	252,343	5.4	5.5	5.4	5.5
CZ	40,542	41,417	42,379	43,396	44,501	45,928	46,736	10.3	10.9	1.8	10.9
DE	1,378,810	1,390,462	1,410,391	1,431,091	1,445,987	1,459,965	1,483,518	5.2	5.0	5.2	5.0
DK*	246,512	246,910	248,643	248,956	249,458	252,608	254,924	2.5	2.3	2.7	2.5
ES	497,711	494,582	495,141	493,176	490,806	489,859	489,237	-1.2	-1.0	-1.2	-1.0
FI	96,129	96,237	96,970	97,444	97,781	98,067	98,921	2.0	1.9	2.0	1.9
FR	954,226	963,366	977,524	994,000	1,010,000	1,022,000	1,040,000	6.4	6.1	6.4	6.1
HU	13,592	13,338	12,881	13,387	13,605	13,647	13,758	6.8	2.3	5.1	5.2
IE	102,085	101,577	100,940	100,713	97,684	94,919	93,274	-7.6	-6.6	-7.6	-6.6
IT	375,425	376,660	376,688	378,126	379,054	380,006	382,222	1.5	0.9	1.5	0.9
NL	704,792	707,396	710,343	712,224	714,367	715,191	n/a	n/a	1.1	n/a	1.1
PL**	93,111	93,420	92,527	95,627	96,728	97,918	100,520	8.6	4.8	5.6	7.1
PT	94,093	93,823	93,740	93,794	93,952	93,857	93,965	0.2	0.0	0.2	0.0
RO	14,262	14,586	15,015	15,402	15,785	15,835	16,185	7.8	8.6	9.4	11.0
SE	402,250	390,996	390,812	401,355	408,639	407,419	406,950	4.1	4.2	5.2	5.4
UK	1,543,616	1,574,021	1,560,042	1,571,055	1,574,880	1,646,396	1,587,792	1.8	4.6	3.0	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:

- Czech Republic
- Italy



TABLE 2 | GROSS RESIDENTIAL MORTGAGE LENDING (MILLION EUR)

	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019	LATEST Y-O-Y CHANGE (%), Q2 19, EUR VALUES	PREVIOUS Y-O-Y CHANGE (%), Q1 19, EUR VALUES	LATEST Y-O-Y CHANGE (%), Q2 19, LOCAL CURRENCY	PREVIOUS Y-O-Y CHANGE (%), Q1 19, LOCAL CURRENCY
BE	9,306	7,914	8,761	8,532	9,171	9,320	10,099	9,129	10,350	12.9	7.0	12.9	7.0
CZ*	3,246	2,618	3,112	2,909	3,005	2,842	2,806	2,315	2,535	-15.6	-20.4	-15.4	-19.6
DE	53,500	54,400	55,800	52,300	58,400	57,500	59,600	55,500	59,600	2.1	6.1	2.1	6.1
DK	8,754	10,763	11,834	10,519	8,735	9,629	10,191	9,591	16,547	89.4	-8.8	89.7	-8.7
ES	10,319	9,117	10,516	9,872	12,032	9,943	11,210	10,596	11,498	-4.4	7.3	-4.4	7.3
FI	8,304	7,687	7,687	8,038	9,333	8,334	8,265	7,831	8,995	-3.6	-2.6	-3.6	-2.6
FR	46,704	43,147	37,678	38,859	42,577	47,574	42,960	44,379	48,111	13.0	14.2	13.0	14.2
HU	597	624	618	586	759	804	695	673	842	10.9	14.8	10.9	14.8
IE	1,647	2,016	2,230	1,704	2,014	2,369	2,635	1,884	2,250	11.7	10.6	11.7	10.6
IT**	18,941	14,805	17,065	16,414	18,099	15,464	17,882	15,752	15,272	-15.6	-4.0	-15.6	-4.0
NL	23,695	25,060	29,005	23,958	26,447	27,444	28,046	21,654	24,037	-9.1	-9.6	-9.1	-9.6
PL	2,873	2,740	2,550	2,830	2,929	3,045	2,926	2,759	n/a	n/a	-5.8	n/a	-0.4
PT	2,018	2,130	2,308	2,186	2,588	2,519	2,542	2,351	2,580	-0.3	7.5	-0.3	7.5
RO	718	764	717	584	724	682	692	545	579	-20.1	-6.8	-18.9	-4.7
SE	15,915	14,064	16,312	13,636	14,311	11,656	15,794	12,737	14,528	1.5	-6.6	2.6	-5.6
UK	69,995	78,266	77,237	69,319	73,802	80,737	79,116	70,599	71,949	-2.5	1.8	-1.4	-0.1

\*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:

- Spain

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

	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
BE	3,384	3,844	2,936	3,921	2,905	3,348	2,747	3,499	3,195	3,863	2,469	3,346
CZ	969	932	689	2,114	1,255	1,544	875	963	1,017	1,105	1,428	808
DE	16,444	12,586	6,661	14,526	17,887	12,835	11,652	19,929	20,700	14,896	13,978	23,553
DK*	1,726	536	277	1,270	2,199	1,019	399	3,345	313	502	3,150	2,316
ES	-2,471	-4,830	-3,854	-2,910	-2,720	-4,057	-3,129	2,137	-1,965	-2,370	-947	-621
FI	560	409	223	706	687	457	109	843	474	337	286	854
FR	4,024	15,054	13,774	14,349	12,111	14,634	9,140	14,158	16,476	16,000	12,000	18,000
HU	199	-569	-99	-237	-54	-42	-254	214	506	218	42	111
IE	-795	-1,294	-898	-934	-228	-2,665	-508	-637	-227	-3,029	-2765	-1,645
IT	1,487	3,746	1,582	1,317	1,079	1,928	1,235	28	1,438	928	952	2,216
NL	3,489	-818	1,476	3,658	2,415	1,128	25,890	2,955	1,881	4,024	2,967	n/a
PL	2,177	-73	2,945	307	-1,505	1,773	309	1,418	3,100	1,101	1,191	2,601
PT	-636	-1,216	-433	-381	-210	-260	-270	-83	54	158	-95	108
RO	413	184	200	429	426	314	324	461	386	383	50	350
SE	-2,449	9,351	6,860	3,609	5,888	-1,107	-11,254	4,458	10,543	7,284	-1,220	-469
UK	-50,548	15,885	11,835	-29,167	10,710	2,095	30,406	2,493	11,013	3,825	71,517	-58,604

\*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

	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
BE	121.8	125.0	131.2	128.1	131.2	128.1	134.0	134.0	134.0	134.0	140.3	140.3	140.3	139.7
CZ	115.0	117.3	120.4	126.0	129.8	133.0	135.2	138.6	141.6	145.8	149.4	152.3	n/a	n/a
DE	124.8	127.6	129.6	130.7	131.7	134.1	137.3	139.3	141.5	144.2	148.5	150.0	151.7	154.8
DK	89.7	92.3	93.4	92.3	93.3	97.1	97.0	97.0	99.0	101.0	101.0	101.2	100.0	104.0
ES	72.6	73.3	72.9	73.5	74.2	74.4	74.9	75.8	76.2	77.2	77.3	78.7	79.6	79.6
FI	114.1	115.4	115.6	115.0	114.6	116.8	116.8	116.6	116.1	118.3	117.8	117.5	116.8	118.7
FR	100.2	100.3	101.0	101.4	102.7	103.4	104.3	104.7	105.8	106.4	107.5	108.2	109.0	109.8
HU	111.3	112.8	116.1	119.7	124.5	126.8	129.6	137.8	145.6	150.3	157.6	164.3	174.1	n/a
IE	63.8	65.0	68.1	69.1	70.0	72.3	76.2	77.5	78.9	80.9	82.5	82.2	81.9	82.6
IT*	84.3	84.9	85.1	84.5	83.7	84.1	83.8	83.5	83.3	83.8	83.1	83.0	82.6	n/a
NL	88.3	89.3	91.5	92.5	94.3	96.1	98.5	100.1	102.8	104.7	107.5	109	111	112.2
PL	93.4	97.0	99.0	100.6	100.0	100.8	103.4	105.4	106.2	109.0	113.2	116.3	116.7	120.3
PT	97.3	100.3	101.7	102.8	105.0	108.4	112.3	113.6	117.9	120.6	121.8	124.2	128.7	132.8
RO**	77.8	80.0	79.5	80.9	81.8	85.8	84.4	85.4	87.2	89.8	89.2	90.0	90.0	n/a
SE	144.5	147.7	152.5	153.1	156.3	161.3	164.7	164.7	162.5	160.6	161.6	161.2	161.6	163.7
UK	111.4	113.8	116.1	116.0	116.3	118.9	121.6	121.5	121.2	122.6	125.0	124.4	123.0	124.3

\* 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: median prices 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:

- Belgium
- Sweden
- United Kingdom

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

	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
BE	2.27	2.05	2.00	2.00	2.11	2.16	2.13	2.03	2.01	2.01	1.95	1.95	1.91	1.79
CZ*	2.37	2.25	2.17	2.01	2.17	2.22	2.17	2.25	2.41	2.49	2.58	2.81	2.89	2.91
DE	1.91	1.81	1.68	1.63	1.80	1.83	1.85	1.83	1.85	1.90	1.87	1.86	1.79	1.63
DK**	1.17	1.29	1.20	1.09	1.11	1.09	0.94	0.87	0.87	0.84	0.79	0.76	0.78	0.73
ES	2.02	2.04	2.02	1.97	1.97	1.92	1.99	1.91	1.96	1.94	1.96	2.01	2.11	2.12
FI	1.23	1.20	1.16	1.16	1.13	1.07	1.02	0.95	0.92	0.87	0.88	0.86	0.81	0.76
FR***	2.02	1.69	1.46	1.32	1.45	1.54	1.55	1.52	1.48	1.45	1.43	1.41	1.42	1.29
HU	4.88	4.58	4.34	4.06	3.91	3.59	3.43	3.01	4.31	4.31	4.87	5.45	5.17	5.04
IE	3.30	3.34	3.26	3.22	3.16	3.22	3.20	3.07	3.02	3.06	2.97	2.95	2.96	2.95
IT	2.33	2.20	2.02	2.02	2.11	2.10	2.02	1.90	1.88	1.80	1.80	1.89	1.85	1.77
NL	2.75	2.64	2.60	2.41	2.39	2.42	2.42	2.41	2.39	2.41	2.40	2.40	2.41	2.31
PL	4.40	4.50	4.40	4.40	4.40	4.40	4.40	4.40	4.30	4.30	4.40	4.40	4.30	4.30
PT	1.99	1.86	1.76	1.77	1.70	1.61	1.48	1.52	1.51	1.41	1.33	1.63	1.31	1.32
RO****	3.49	3.32	3.56	3.52	3.72	3.34	3.61	4.42	4.77	4.99	5.48	5.70	5.85	5.17
SE	1.62	1.60	1.59	1.57	1.65	1.52	1.53	1.56	1.52	1.51	1.48	1.47	1.57	1.53
UK	2.50	2.41	2.30	2.16	2.09	2.05	1.98	1.98	2.03	2.09	2.10	2.10	2.11	2.08

\*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.

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:

- Romania
- Spain

Source: European Mortgage Federation



TABLE 5B | MORTGAGE INTEREST RATES

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

	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
BE	2.47	2.48	2.46	2.25	2.06	1.95	1.58	1.51	1.57	1.58	1.64	1.60
CZ	2.55	2.04	2.40	2.51	2.25	2.28	2.57	2.53	2.88	3.12	2.97	3.15
DE	2.07	1.95	2.10	2.10	2.04	2.05	2.05	2.08	2.14	2.04	2.06	2.01
DK*	1.20	1.09	1.11	1.09	0.94	0.87	0.87	0.84	0.79	0.76	0.78	0.73
ES	1.66	1.62	1.57	1.51	1.68	1.57	1.60	1.56	1.57	1.64	1.70	1.75
FI	1.11	1.09	1.06	1.02	1.00	0.94	0.90	0.84	0.85	0.86	0.81	0.76
FR	n/a	1.12	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
HU	4.34	4.06	3.91	3.59	3.43	3.01	3.18	3.18	3.41	2.78	3.53	3.58
IE	3.18	3.14	3.03	3.18	3.17	3.03	2.96	3.11	3.04	3.03	3.11	3.08
IT	1.74	1.70	1.72	1.66	1.63	1.53	1.54	1.47	1.51	1.52	1.47	1.48
NL	2.08	1.95	1.95	1.97	1.98	1.96	1.95	1.91	1.89	1.87	1.88	1.87
PT	1.76	1.77	1.70	1.61	1.48	1.52	1.51	1.41	1.33	1.36	1.31	1.32
RO**	3.51	3.42	3.62	3.29	3.56	4.46	4.78	4.48	5.41	5.55	5.75	5.17
SE	1.59	1.57	1.65	1.52	1.53	1.56	1.52	1.45	1.46	1.42	1.47	1.45
UK***	1.93	1.87	1.92	1.90	1.78	1.84	—	—	—	—	—	—

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

	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
BE	2.08	2.09	2.12	2.09	1.96	1.86	1.94	1.82	1.54	1.73	1.73	1.68
CZ	2.13	2.06	2.16	2.12	2.14	2.24	2.38	2.50	2.53	2.71	2.86	2.83
DE	1.77	1.65	1.67	1.73	1.77	1.70	1.72	1.74	1.72	1.71	1.66	1.48
DK*	1.15	1.26	1.24	1.22	1.16	1.12	1.12	1.17	1.24	1.17	1.01	0.80
ES	1.99	1.95	1.85	1.71	1.74	1.67	1.69	1.67	1.74	1.76	1.85	2.00
FI	1.27	1.27	1.16	1.12	1.13	1.15	1.18	1.02	1.06	1.04	1.05	1.07
HU	6.11	5.80	5.79	5.40	5.14	4.63	4.31	4.31	4.87	4.80	4.51	4.91
IE	3.40	3.34	3.32	3.27	3.22	3.10	3.07	3.03	2.94	2.92	2.90	2.90
NL	2.16	2.11	2.15	2.20	2.23	2.21	2.15	2.15	2.10	2.11	2.12	2.11
RO**	4.91	4.93	4.96	5.01	4.84	4.37	4.49	5.11	5.49	5.96	6.04	5.93
SE	1.72	1.56	1.61	1.65	1.65	1.65	1.67	1.61	1.60	1.57	1.57	1.49
UK	2.35	2.20	2.09	2.05	1.99	1.97	2.03	2.09	2.11	2.13	2.09	2.06

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

	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
BE	1.97	1.86	1.93	2.10	2.19	2.16	2.13	1.94	1.84	1.90	1.67	1.61
CZ	1.95	1.86	1.98	2.19	2.13	2.21	2.36	2.43	2.51	2.69	2.83	2.78
DE	1.52	1.46	1.63	1.68	1.68	1.67	1.69	1.76	1.71	1.71	1.64	1.47
DK*	1.35	1.57	1.64	1.56	1.53	1.58	1.61	1.72	1.67	1.57	1.25	1.00
ES	4.52	3.99	4.15	4.13	4.26	4.07	4.48	4.45	4.21	3.98	3.97	4.18
FI	1.71	1.82	1.94	1.89	1.92	1.80	1.90	1.70	1.90	2.00	1.80	1.46
HU	6.89	6.88	7.04	6.51	6.27	5.76	5.39	5.27	5.39	5.45	5.17	5.04
NL	2.54	2.34	2.30	2.36	2.34	2.34	2.34	2.39	2.39	2.38	2.39	2.27
RO**	5.66	5.56	5.62	5.57	4.75	5.09	5.40	5.51	6.12	6.40	6.63	6.47
SE	2.24	2.39	2.58	1.94	1.91	2.17	2.20	2.03	2.04	1.86	1.79	1.81
UK	3.08	2.63	2.59	2.69	2.71	2.66	2.63	2.63	2.67	2.67	2.64	2.50

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

	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
BE	2.00	2.00	2.11	2.16	2.13	2.03	2.01	2.01	1.95	1.95	1.91	1.79
CZ	2.43	2.39	2.44	2.67	2.44	2.57	2.48	2.54	2.48	2.94	2.97	2.80
DE	1.70	1.69	1.88	1.90	1.95	1.92	1.94	1.98	1.95	1.96	1.86	1.67
DK*	2.90	2.89	3.04	2.89	2.82	2.78	2.87	2.85	2.79	2.79	2.53	2.16
ES	2.37	2.19	2.32	2.42	2.44	2.39	2.33	2.29	2.26	2.31	2.44	2.41
HU	5.93	5.98	5.71	5.93	5.67	5.52	5.51	5.76	5.74	5.79	5.61	5.71
IT****	2.16	2.17	2.25	2.30	2.22	2.12	2.07	1.96	1.93	2.06	2.00	1.92
NL	3.03	2.90	2.85	2.90	3.00	3.00	2.90	2.86	2.80	2.82	2.84	2.78
RO**	5.94	5.70	5.86	5.76	3.34	3.69	4.85	4.56	5.56	5.91	6.12	5.26
UK	n	n	n	n	n	n	n/a	n/a	n/a	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:

- Spain
- Romania
- Czech Republic

Source: European Mortgage Federation

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

	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
<b>CZECH REPUBLIC</b>											
Variable rate (up to 1Y initial rate fixation)	21.6	20.9	20.1	20.0	19.1	18.6	18.7	18.6	18.4	24.1	23.1
Short-term fixed (1Y-5Y initial rate fixation)	57.8	57.5	57.5	56.7	56.3	54.6	53.2	52.4	51.7	46.9	46.4
Medium-Term fixed (5Y-10Y initial rate fixation)	15.8	17.0	17.9	18.9	20.3	22.5	23.7	24.5	25.5	24.4	25.8
Long-Term fixed (over 10Y initial rate fixation)	4.8	4.6	4.5	4.4	4.3	4.4	4.4	4.4	4.5	4.6	4.7
<b>DENMARK</b>											
Variable rate (up to 1Y initial rate fixation)	37.8	38.6	38.8	37.9	36.7	36.3	36.4	35.4	33.4	32.7	32.5
Short-term fixed (1Y-5Y initial rate fixation)	26.4	25.0	24.6	24.9	25.6	25.9	25.9	25.5	26.3	25.9	24.8
Medium-Term fixed (5Y-10Y initial rate fixation)	35.8	36.4	36.6	37.2	37.7	37.8	37.5	39.2	40.2	41.4	42.7
Long-Term fixed (over 10Y initial rate fixation)											
<b>FINLAND</b>											
Variable rate (up to 1Y initial rate fixation)	90.2	90.6	91.1	91.6	92.2	92.7	92.8	93.1	93.3	93.6	93.9
Short-term fixed (1Y-5Y initial rate fixation)	6.3	6.0	5.7	5.3	5.0	4.7	4.4	4.5	4.2	4.1	3.7
Medium-Term fixed (5Y-10Y initial rate fixation)	3.6	3.4	3.2	3.0	2.8	2.6	2.8	2.3	2.5	2.4	2.4
Long-Term fixed (over 10Y initial rate fixation)											
<b>IRELAND</b>											
Variable rate (up to 1Y initial rate fixation)	89.6	88.9	88.0	86.9	85.8	84.3	82.5	80.9	78.6	76.1	73.9
Short-term fixed (1Y-5Y initial rate fixation)	8.5	9.2	10.1	11.2	12.6	13.9	15.6	17.2	19.4	21.6	23.6
Medium-Term fixed (5Y-10Y initial rate fixation)	1.9	1.9	1.9	1.9	1.6	1.7	2.0	1.9	2.0	2.4	2.5
Long-Term fixed (over 10Y initial rate fixation)	n	n	n	n	n	n	n	n	n	n	n

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

	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
<b>SWEDEN</b>											
Variable rate (up to 1Y initial rate fixation)	69.1	68.1	67.9	68.3	68.3	68.4	68.9	69.01	67.0	64.9	63.8
Short-term fixed (1Y-5Y initial rate fixation)	28.9	30.0	30.3	30.1	30.1	30.2	29.7	20.9	31.6	33.8	34.9
Medium-Term fixed (5Y-10Y initial rate fixation)											
Long-Term fixed (over 10Y initial rate fixation)	2.1	1.9	1.7	1.6	1.5	1.5	1.4	1.4	1.4	1.3	1.3
<b>UNITED KINGDOM</b>											
Variable rate (up to 1Y initial rate fixation)*	45.8	44.2	42.4	40.6	38.6	36.6	35.0	33.4	31.6	29.9	28.7
Short-term fixed (1Y-5Y initial rate fixation)	52.7	54.3	56.2	58.0	60.0	61.9	63.4	65.0	66.7	68.4	69.5
Medium-Term fixed (5Y-10Y initial rate fixation)	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.6	1.6	1.8	1.8
Long-Term fixed (over 10Y initial rate fixation)	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
<b>CURRENCY DENOMINATION</b>											
	II 2013	III 2013	IV 2013	I 2014	II 2014	III 2014	IV 2014	I 2015	II 2015	III 2015	IV 2015
<b>HUNGARY*</b>											
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	
<b>BREAKDOWN BY LOAN ORIGINAL MATURITY</b>											
	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
<b>ITALY</b>											
Maturity less than 5 years	0.7	0.7	0.7	0.7	0.7	0.7	0.5	0.6	0.5	0.5	0.5
Maturity over 5 years	99.3	99.3	99.3	99.3	99.3	99.3	99.5	99.4	99.5	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:



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

	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
<b>BELGIUM</b>													
Variable rate (up to 1Y initial rate fixation)	1.3	0.5	0.3	0.5	1.2	1.6	2.5	4.9	7.4	7.9	6.6	6.0	2.6
Short-term fixed (1Y-5Y initial rate fixation)	2.6	2.1	1.8	2.2	2.5	3.1	4.8	4.2	3.9	5.8	5.9	3.4	2.9
Medium-Term fixed (5Y-10Y initial rate fixation)	14.3	13.9	15.6	16.3	17.2	17.2	18.2	18.1	17.1	20.8	24.6	24.4	25.5
Long-Term fixed (over 10Y initial rate fixation)	81.8	83.6	82.3	81.1	79.1	78.1	74.6	72.9	71.6	65.5	62.9	66.1	69.1
<b>CZECH REPUBLIC</b>													
Variable rate (up to 1Y initial rate fixation)	23.6	17.1	33.4	19.1	16.7	21.1	24.9	16.9	18.5	17.3	23.2	28.7	31.2
Short-term fixed (1Y-5Y initial rate fixation)	52.7	53.0	37.2	50.9	56.6	53.4	45.6	47.8	47.9	47.7	42.4	39.9	35.8
Medium-Term fixed (5Y-10Y initial rate fixation)	20.7	26.8	26.2	26.9	23.7	22.4	26.6	30.9	28.6	29.0	30.0	25.1	27.7
Long-Term fixed (over 10Y initial rate fixation)	3.1	3.1	3.2	3.1	3.0	3.0	3.0	4.3	5.0	6.1	4.3	6.3	5.4
<b>DENMARK</b>													
Variable rate (up to 1Y initial rate fixation)	19.2	11.3	18.4	17.8	17.4	18.6	22.9	13.7	15.5	14.8	18.2	16.6	10.7
Short-term fixed (1Y-5Y initial rate fixation)	39.4	28.1	28.8	35.2	33.0	28.3	39.4	36.7	29.6	25.4	31.2	26.8	14.5
Medium-Term fixed (5Y-10Y initial rate fixation)	1.4	1.8	1.3	1.5	1.0	2.3	0.9	2.1	0.6	1.5	0.9	1.6	0.8
Long-Term fixed (over 10Y initial rate fixation)	40.0	58.8	51.5	45.4	48.7	50.8	36.8	47.6	54.3	58.3	49.8	55.1	74.0
<b>FINLAND</b>													
Variable rate (up to 1Y initial rate fixation)	93.4	93.6	93.3	93.2	94.3	95.6	96.0	96.2	96.4	96.6	96.3	96.1	96.4
Short-term fixed (1Y-5Y initial rate fixation)	3.6	3.5	3.4	3.1	2.8	2.2	1.9	1.8	1.8	1.4	1.7	1.8	1.5
Medium-Term fixed (5Y-10Y initial rate fixation)	2.9	2.9	3.3	3.6	2.9	2.2	2.1	2.0	1.8	2.0	2.0	2.1	2.1
Long-Term fixed (over 10Y initial rate fixation)													
<b>GERMANY</b>													
Variable rate (up to 1Y initial rate fixation)	12.1	11.4	11.8	10.9	11.3	11.6	11.9	11.3	12.5	11.5	11.6	11.5	11.2
Short-term fixed (1Y-5Y initial rate fixation)	9.5	9.0	8.4	8.8	8.5	8.9	8.9	8.8	8.8	8.7	8.7	8.9	8.8
Medium-Term fixed (5Y-10Y initial rate fixation)	35.1	35.7	35.9	36.1	35.2	35.5	35.4	34.4	33.8	34.0	34.6	33.0	32.7
Long-Term fixed (over 10Y initial rate fixation)	43.3	44.0	43.9	44.2	45.0	43.9	43.9	45.5	44.9	45.8	45.1	46.7	47.3

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

	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
<b>HUNGARY</b>													
Variable rate (up to 1Y initial rate fixation)	43.6	40.8	40.6	43.5	45.9	41.4	38.7	28.1	18.3	11.5	6.5	4.9	3.2
Short-term fixed (1Y-5Y initial rate fixation)	31.1	30.0	31.2	27.2	27.0	32.6	34.2	42.7	46.6	42.4	31.3	26.5	24.7
Medium-Term fixed (5Y-10Y initial rate fixation)	20.1	23.2	21.9	22.5	20.6	19.5	21.2	23.8	29.2	38.4	51.3	57.6	61.4
Long-Term fixed (over 10Y initial rate fixation)	5.2	6.0	6.3	6.8	6.4	6.5	5.9	5.4	5.9	7.8	11.0	11.0	10.7
<b>IRELAND</b>													
Variable rate (up to 1Y initial rate fixation)	65.0	70.0	62.5	59.8	53.4	47.2	43.8	45.6	41.5	36.1	30.9	28.7	28.7
Short-term fixed (1Y-5Y initial rate fixation)	35.0	30.0	37.5	40.2	46.6	52.8	56.2	54.4	58.5	63.9	69.1	71.3	71.3
Medium-Term fixed (5Y-10Y initial rate fixation)	n	n	n	n	n	n	n	n	n	n	n	n/a	n
Long-Term fixed (over 10Y initial rate fixation)	n	n	n	n	n	n	n	n	n	n	n	n/a	n
<b>ITALY</b>													
Variable rate (up to 1Y initial rate fixation)	41.7	36.3	31.2	29.0	31.3	35.5	37.5	36.3	33.4	32.8	30.5	30.8	34.2
Short-term fixed (1Y-5Y initial rate fixation)													
Medium-Term fixed (5Y-10Y initial rate fixation)	58.3	63.7	68.8	71.0	68.7	64.5	62.5	63.7	66.6	67.2	69.5	69.2	65.8
Long-Term fixed (over 10Y initial rate fixation)													
<b>NETHERLANDS</b>													
Variable rate (up to 1Y initial rate fixation)	14.9	13.4	11.8	10.7	13.8	14.7	15.3	15.4	16.2	16.3	16.9	18.2	19.7
Short-term fixed (1Y-5Y initial rate fixation)	12.5	12.5	9.9	8.3	10.0	8.7	8.9	9.3	10.2	10.0	9.2	9.3	10.0
Medium-Term fixed (5Y-10Y initial rate fixation)	53.4	51.4	56.5	57.9	54.3	55.5	55.3	53.4	48.2	43.8	43.1	42.5	42.7
Long-Term fixed (over 10Y initial rate fixation)	19.1	22.7	21.8	23.0	21.9	21.2	20.5	21.8	25.4	29.9	30.8	30.0	27.5



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

	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
<b>POLAND</b>													
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
<b>PORTUGAL</b>													
Variable rate (up to 1Y initial rate fixation)	62.5	62.6	61.0	63.3	58.9	60.1	59.1	61.3	68.2	64.0	n/a	82.9	76.9
Short-term fixed (1Y-5Y initial rate fixation)													
Medium-Term fixed (5Y-10Y initial rate fixation)	37.5	37.4	39.0	36.7	41.1	39.9	40.9	38.7	31.8	36.0	n/a	17.1	23.1
Long-Term fixed (over 10Y initial rate fixation)													
<b>ROMANIA</b>													
Variable rate (up to 1Y initial rate fixation)	95.1	94.9	93.9	93.6	97.5	88.8	78.5	73.2	77.7	75.0	69.9	74.3	76.2
Short-term fixed (1Y-5Y initial rate fixation)	4.0	4.0	5.0	4.8	1.7	2.5	10.3	15.5	8.5	11.3	13.6	13.2	10.8
Medium-Term fixed (5Y-10Y initial rate fixation)	0.6	0.6	0.9	1.1	0.5	1.9	3.5	5.6	6.0	6.7	8.5	3.8	2.6
Long-Term fixed (over 10Y initial rate fixation)	0.3	0.4	0.2	0.5	0.3	6.7	7.8	5.7	7.9	7.0	8.0	8.7	10.5
<b>SPAIN</b>													
Variable rate (up to 1Y initial rate fixation)	41.6	46.8	42.2	41.7	42.0	43.9	42.3	36.3	36.8	36.2	35.7	34.4	38.1
Short-term fixed (1Y-5Y initial rate fixation)	20.5	25.1	23.4	24.8	26.2	27.2	28.5	29.7	28.39	28.2	26.6	26.8	27.0
Medium-Term fixed (5Y-10Y initial rate fixation)	3.8	3.5	4.0	4.7	4.4	3.9	3.9	4.1	4.24	4.7	4.8	5.6	4.5
Long-Term fixed (over 10Y initial rate fixation)	34.2	24.6	30.5	28.9	27.4	25.0	25.3	29.9	30.58	30.8	32.8	33.3	30.4

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

	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
<b>SWEDEN</b>													
Variable rate (up to 1Y initial rate fixation)	76.2	76.3	77.1	72.7	72.9	72.5	69.0	70.3	72.9	72.2	62.1	54.9	60.8
Short-term fixed (1Y-5Y initial rate fixation)	17.6	16.6	15.8	19.6	19.8	18.9	20.4	20.8	20.2	20.9	29.8	36.2	31.6
Medium-Term fixed (5Y-10Y initial rate fixation)	6.1	7.1	7.2	7.7	7.3	8.6	10.7	8.9	6.9	6.8	8.1	8.9	7.6
Long-Term fixed (over 10Y initial rate fixation)													
<b>UNITED KINGDOM</b>													
Variable rate (up to 1Y initial rate fixation)*	15.7	16.1	16.6	15.8	11.6	11.0	7.4	6.7	6.7	8.3	6.8	7.9	6.6
Short-term fixed (1Y-5Y initial rate fixation)	83.2	82.8	81.6	82.0	86.7	87.6	90.9	91.6	91.7	90.0	91.7	90.5	91.8
Medium-Term fixed (5Y-10Y initial rate fixation)	1.1	1.1	1.8	2.2	1.7	1.4	1.7	1.7	1.6	1.7	1.5	1.6	1.6
Long-Term fixed (over 10Y initial rate fixation)	n	n	n	n	n	n	n	n/a	n/a	n/a	0	0	0

## 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:

- Czech Republic

## 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<sup>1,2</sup>.

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 – Second quarter of 2019" of the ECB.

For the UK and Denmark, the BLS is carried out by their 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, and following the new structure introduced during the third quarter of 2018, we compile the bank lending surveys from Czech Republic, Hungary, Romania and Poland. For these countries similar criteria as the one used in the BLS 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 and Poland the effect of the different factors on demand have been inverted to match the interpretation of the figures of the ECB's BLS.

<sup>1</sup> 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.

<sup>2</sup> 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)

	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
AT	-14	0	0	14	-14	14	0	29	14	0	29	29
BE	0	25	0	25	0	0	25	0	0	25	0	50
CY	0	0	0	0	0	0	0	0	0	0	0	0
DE	10	0	-14	0	-7	-7	-7	-7	-3	0	7	-3
EE	0	0	0	0	0	13	30	10	0	0	0	0
EL	25	0	0	25	0	0	0	-25	0	0	0	0
ES	-11	0	0	0	-11	-11	-11	-11	0	0	11	11
FR	-24	0	0	0	-2	-2	-14	-2	-2	-2	-2	-2
IE	-10	0	0	0	0	0	0	0	0	0	0	0
IT	0	0	-14	-20	-20	0	-10	0	0	10	10	0
LT	0	25	0	25	75	0	0	0	25	25	0	0
LU	-17	-17	0	-33	-17	0	-33	-17	0	0	0	-17
LV	0	-25	-25	0	0	0	-25	0	50	25	50	0
MT	0	0	0	0	-45	0	40	0	0	0	0	21
NL	0	0	-2	-30	-48	-36	-51	-50	-34	-35	-32	-34
PT	0	0	0	0	0	0	0	0	60	20	0	0
SI	0	-20	40	0	0	0	0	0	20	20	0	0
SK	-9	0	93	65	51	32	59	32	78	50	66	18
EA	-4	1	-5	-4	-11	-6	-11	-8	-2	-1	3	1
CZ	-1	89	87	57	40	42	41	29	40	92	-6	-15
DK	14	18	14	-32	22	14	40	13	-6	19	0	8
HU	-6	-6	-6	-4	-5	-5	-5	-15	0	-5	-5	-5
PL	47	-9	1	13	11	21	-4	7	58	61	1	-1
RO	-42	2	12	47	-16	3	7	0	18	16	50	0
UK	2	4	-4	-10	-7	-2	-4	-4	11	12	-7	6

During the second quarter of 2019, the trend initiated at the beginning of the year was confirmed, as it was the second quarter in which overall credit standards tightened in the Euro area. However, slightly less than in the three previous months, they tightened by almost 1%. And still below the historical average since 2003. Expectations indicate that credit conditions for house purchase will remain unchanged in the upcoming quarter.

In this context, banks' risk tolerance and the cost of fund and balance sheet constraints contributed the most to the tightening of credit conditions while competition and reduced risk perceptions contributed to the easing.

Looking at the largest Euro area countries, in Germany, France and the Netherlands banks eased their credit conditions for households on house purchase. At the other end in Spain credit conditions were tightened and, finally, in Italy they remained unchanged compared to the previous quarter. Countries that were affected by different factors. In Spain conditions tightened mainly due to banks' risk aversion while in Germany despite the contribution of their cost of funds and balance sheet constraints to the tightening of the credit conditions these were overcome by the increase of competition which favoured the easing of the credit conditions. However, in Italy was the perceptions on the general economic outlook the ones contributing to the tightening of credit conditions, but it was counterbalanced by the effect of their own costs of funds and balance sheet constraints. Finally, in France pressure from competition contributed to the increase of supply together with an increase on risk tolerance.

If we look at all the countries of our sample, we could say that for most of them credit standards have remained unchanged with respect to the previous year. Being Belgium the country in which they have tightened the most, and with the Netherlands on the other side of the spectrum.

Also in the supply side, an interesting indicator is the rejection rate for housing loans, which increased by 3% during the second quarter of the year, however, depicting an important decrease compared to the figure recorded in the first three months of the year (9% in Q1 2019).

Outside the Euro area, the UK recovered the trend of tightening conditions followed during the second half of 2018. Similarly, in Denmark credit condition tightened by 6% after remaining unchanged during the first quarter. In the Czech Republic for second consecutive quarter since the last quarter of 2016, credit conditions slightly eased. In Poland, as it was the case the previous quarter credit conditions have remained practically unchanged, just experiencing a slight easing of less than 11%. In Romania credit standards did not tightened neither eased, they remained unchanged. Finally, in Hungary the easing of the credit standards had the same magnitude as the last quarter.

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

II 2019	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	29	50	0	-3	0	0	11	-2	0	0	0	-17	0	21	-34	0	0	18	1	-15	8	-5	1	0	6
<b>FACTORS AFFECTING CREDIT STANDARDS:</b>																									
Impact of funds and balance sheet constraints	0	25	0	3	0	0	0	20	0	0	0	-17	0	0	0	0	0	0	2	-22		-35	36	0	2
Perception of risk	14	50	0	0	0	0	11	-2	0	0	0	0	0	-17	-2	0	0	18	3	—	13	0	—	—	—
Pressure from competition	-7	0	0	-3	7	0	0	-6	0	0	0	-17	-13	-8	-33	-10	0	0	-6	-17	-6	-2	12	0	0
Risk Tolerance	5	0	0	0	0	0	4	0	0	3	0	0	25	0	-32	0	0	0	-2	2	20	-12	-30	0	2

**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

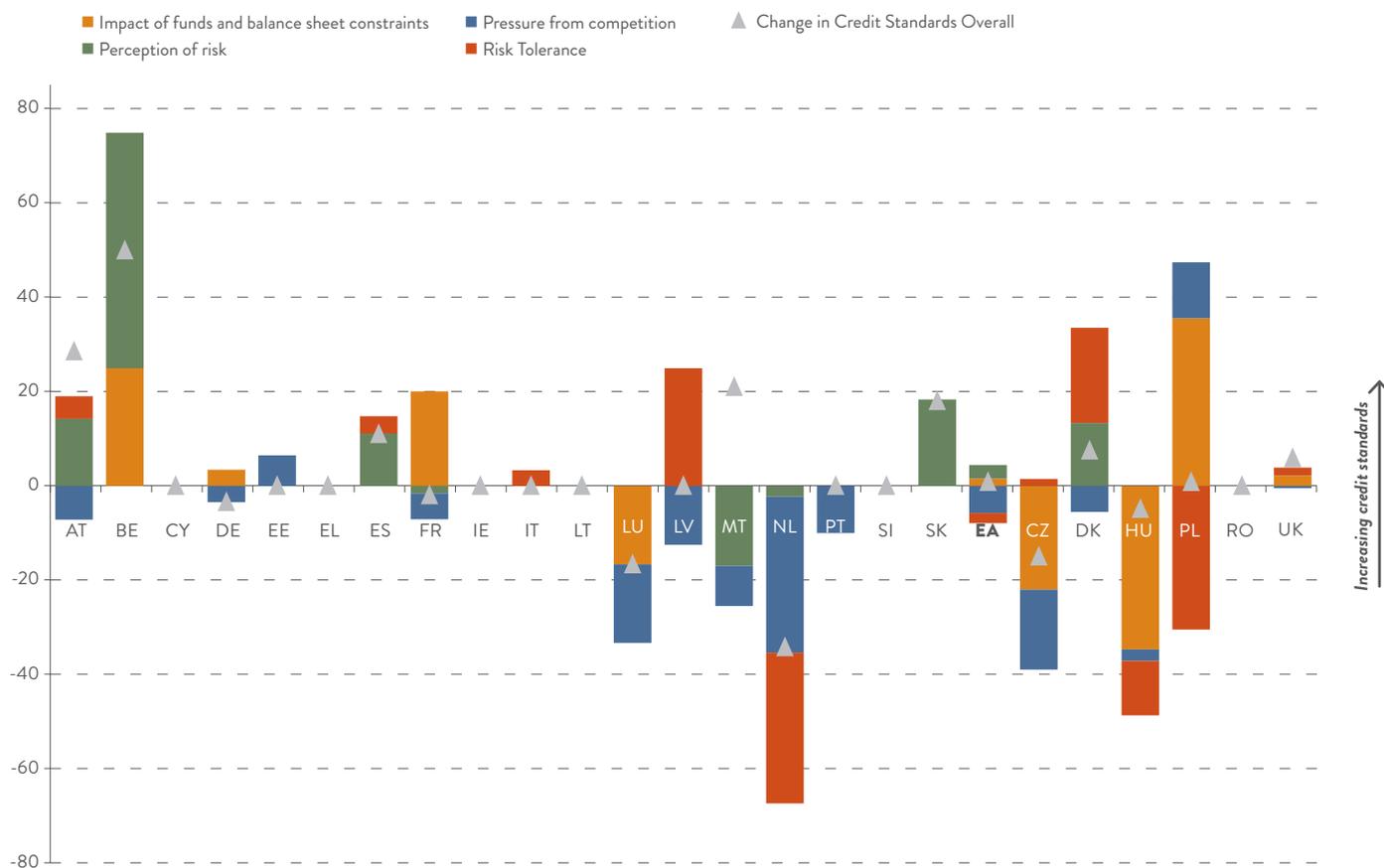
For CZ there are different factors and following assumptions were made: cost of funds and balance sheet constraints > impact of funds and balance sheet constraints; pressure from other banks and non-banks > pressure from competition.

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)

	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018	I 2019	II 2019
AT	0	0	29	29	43	14	14	0	-14	-14	14	14
BE	-25	50	-50	0	-25	0	0	0	0	25	0	0
CY	25	75	25	25	75	100	80	100	50	25	25	50
DE	-10	3	4	-7	0	0	14	21	3	10	14	38
EE	25	25	0	38	25	13	20	30	0	0	13	13
EL	25	25	-25	0	25	0	25	25	25	100	50	0
ES	-11	0	11	11	11	11	22	22	22	-11	11	0
FR	52	52	68	29	-21	-21	-40	17	-22	-20	20	28
IE	10	10	30	20	20	20	10	30	-10	10	50	20
IT	63	75	29	10	30	10	10	20	10	10	0	20
LT	50	0	25	0	-25	0	0	25	0	25	0	0
LU	0	17	-17	33	67	17	17	17	-17	17	17	0
LV	50	0	0	25	33	50	75	50	25	25	25	25
MT	0	0	-45	14	14	13	55	55	56	-25	43	0
NL	58	78	-10	72	53	47	33	51	49	52	49	50
PT	60	60	80	60	40	80	40	40	60	20	-20	40
SI	40	20	20	40	20	40	0	20	-20	0	-20	-20
SK	-9	34	50	12	10	34	-26	93	-2	-15	-20	-25
EA	23	36	24	19	12	8	5	23	5	12	14	26
CZ	20	90	3	1	-32	39	-25	-2	45	-28	-72	29
DK*	32	-20	2	-11	14	2	-11	0	11	28	11	-14
HU	59	78	77	96	42	51	72	85	51	65	75	60
PL	-74	19	22	29	-14	-13	76	40	11	13	26	54
RO	-72	45	45	9	19	-31	50	-15	-39	-33	8	-17
UK**	-44	6	-15	2	-6	8	-29	5	3	24	-2	-29

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"

Demand for house purchase experienced an important increase in the second quarter compared to the previous one, growing by 26%. Being the second consecutive quarter in which the growth is above the historical average and also growing above expectations. But contrary to the previous quarter not all of the biggest countries experienced increases in demand. The exception was Spain where credit demand for house purchase remained unchanged. Therefore, in Germany, Italy, France and the Netherlands demand increase considerably.

The main drivers behind these developments were the low general level of interest rates as well as the favourable housing market prospects and the improvement in consumer confidence levels. The only element that had neither positive nor negative effect on demand were other sources of financing. In this context, consumer confidence was especially relevant in Spain, the Netherlands and Germany. Similarly, the fiscal regime for housing markets also had a positive impact in the Netherlands and Spain. Meanwhile in Germany and France, credit demand was supported by favourable debt refinancing, restructuring or renegotiation. Moreover, the growth of credit demand is expected to continue in the second half of the year.

Looking at the whole sample of countries the picture was quite heterogeneous, in some jurisdictions such as the Netherlands, Germany or Portugal credit demand increased by around 50% while in others such as Slovakia or Slovenia it decreased significantly.

In the UK, demand also dropped by a remarkable 29% compared to the previous months. Likewise, in Denmark where it decreased by 14% on a quarterly basis. Contrary in the Czech Republic and Poland demand significantly increased by 29% and 54% respectively. In Romania the trend reversed and followed the same path as during the first half of 2018, with demand for housing loans decreasing.

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

II 2019	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	38	13	0	0	28	20	20	0	0	25	0	50	40	-20	-25	26	-72	-14	60	54	-17	-29
<b>FACTORS AFFECTING CREDIT STANDARDS:</b>																									
Impact of housing market prospects	-14	0	50	14	0	0	7	0	20	10	0	33	0	0	50	20	0	41	11	-31	—	—	0	—	—
Other financing needs	43	0	75	34	0	11	37	0	0	20	0	33	0	0	50	40	0	41	29	13	—	—	0	—	—
Consumer confidence	0	0	25	3	0	11	0	0	0	0	0	0	25	0	32	20	0	0	5	0	—	—	0	—	—
Use of alternative finance	0	0	25	0	0	0	6	-6	0	0	0	0	0	0	32	-10	-10	-17	2	—	—	—	—	—	—
General level of interest	-5	0	25	-5	4	0	-11	4	0	0	0	0	0	9	0	-13	-30	-2	-2	-2	—	—	-8	—	—

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

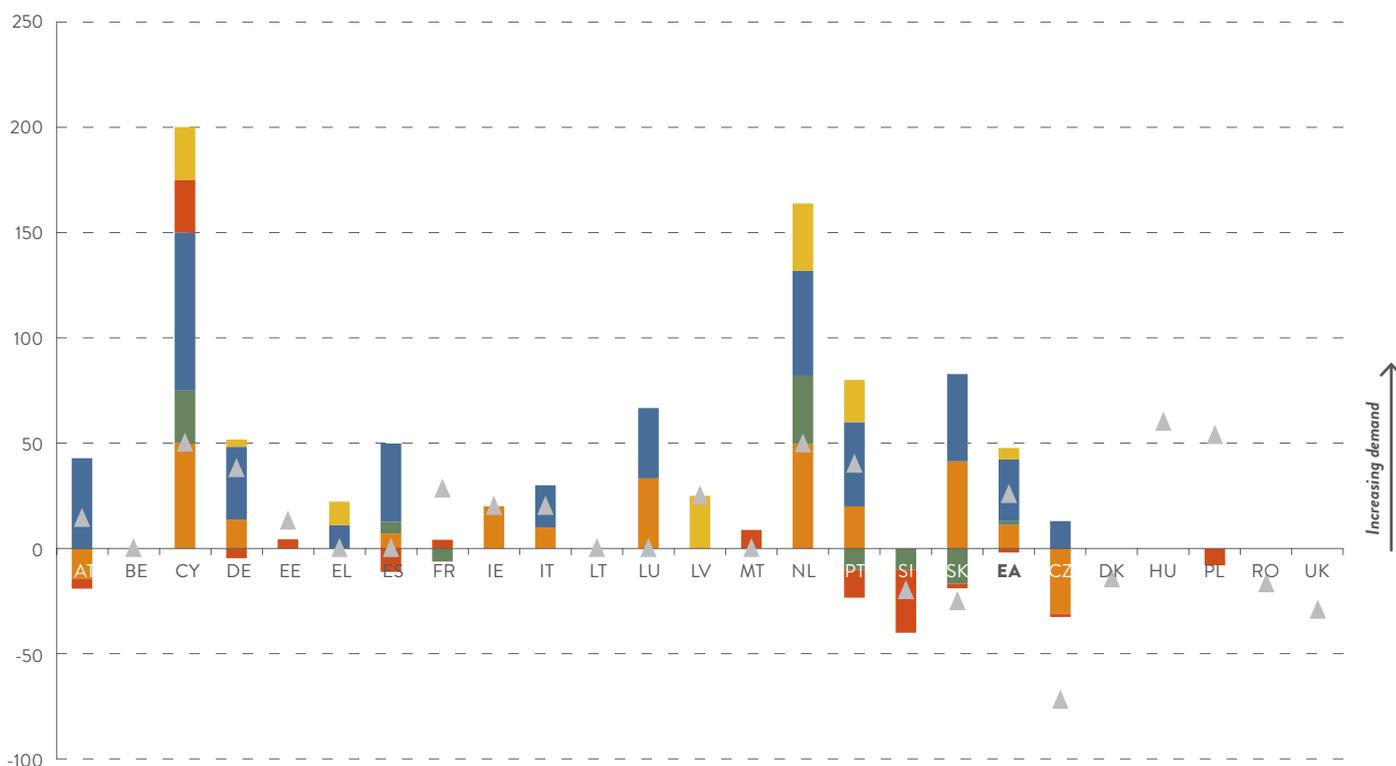
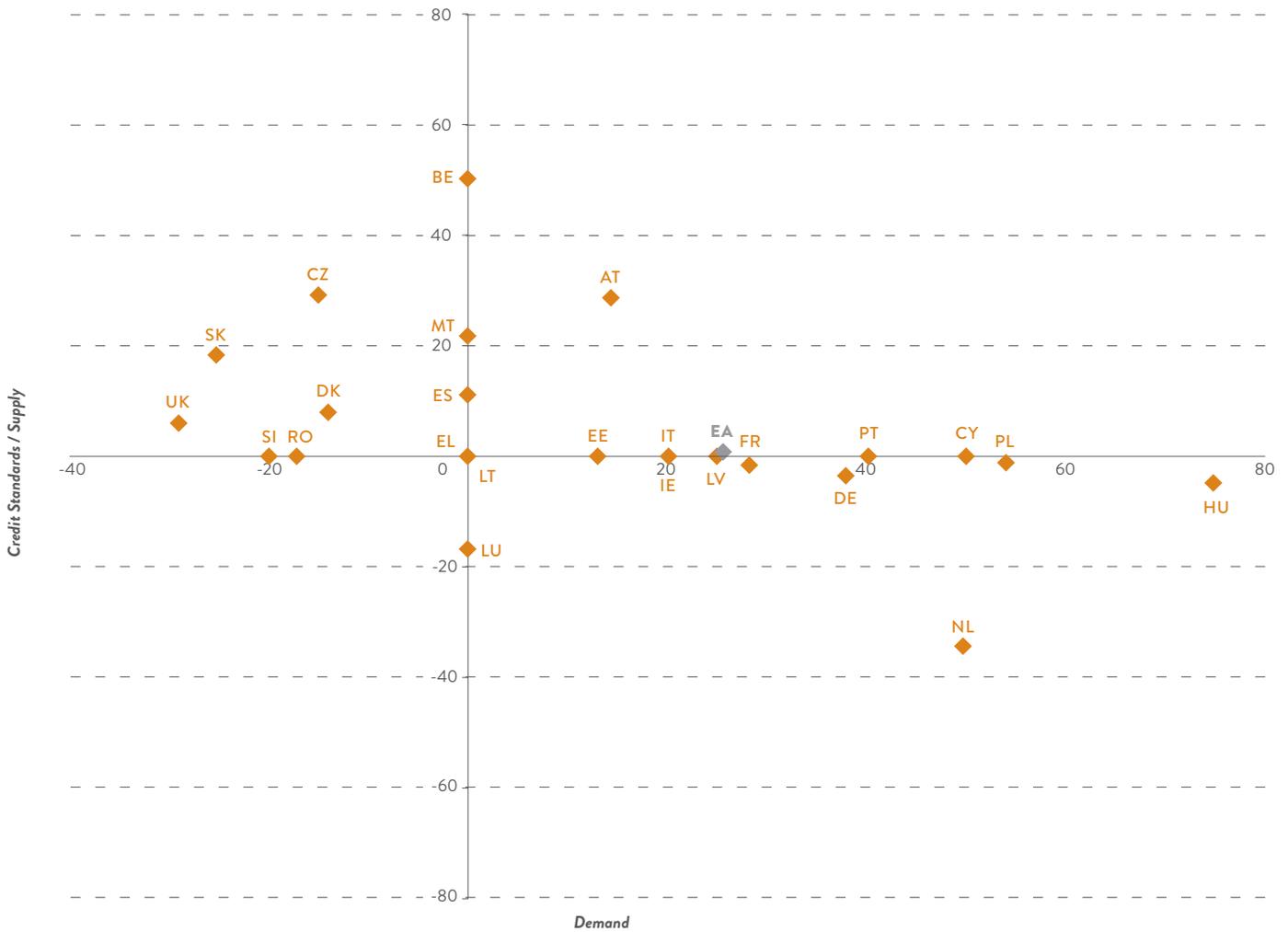


CHART 6 | DEMAND AND SUPPLY OVERVIEW



3. SCATTER PLOT:

During the second quarter of the year the number of outliers has remained small, with the majority of the countries following similar trends, and close to the axis cross.

The main difference that can be observed with respect to the previous quarter is the movement of a relatively important number of countries to the left side of the graph, which signals a general trend of a decrease in the demand for housing loans.

Also, relevant to note that the number of countries where the credit conditions as well as the demand have not suffered any changes is high.





Q2|2019

QUARTERLY REVIEW  
OF EUROPEAN  
MORTGAGE MARKETS



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