

Czech Republic: New housing credit declined significantly last year

New housing credit fell by 18.3% year-on-year in 2019 as a result of new CNB rules on the income limits of borrowers and relatively high property prices

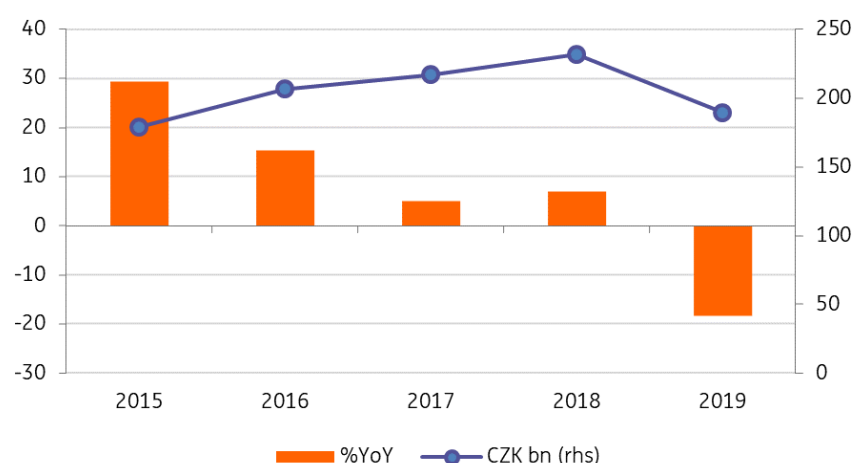


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The December credit statistics published by the Czech National Bank (CNB) today show that the volume of new loans for house purchases fell to CZK 17.3 billion. This was down slightly from November but marked a 17% increase year-on-year. However, the strong year-on-year growth in December is mainly due to the low base from the end of 2018, when loans fell after strong frontloading in previous months following the introduction of stricter income recommendations by the CNB. Compared to 2017, the December volume is 10% lower.

For the whole of 2019, the volume of new loans for house purchases (i.e. without refixing and refinancing) is 18.3% lower than in 2018, which is due to a combination of stricter CNB recommendations, the frontloading effect at the end of 2018, and swift growth in property prices, which was already discouraging some households from buying their own property.

New banking loans for housing (%YoY, rhs: CZK bn)



Source: CNB, ING

The CNB published a press release stating that the year-on-year decline in the credit market last year was just 13.6% but this relates only to mortgages, i.e. loans where the property is pledged to the bank. Other housing loans, such as those for reconstruction, were not included. The total volume of new loans for house purchases reached CZK 189.5 billion in 2019, down from CZK 232.1 billion in 2018. The CNB is looking at a narrower set of mortgage loans, which amounted to CZK 161.5 billion in 2019 (143.3 provided by banks, 18.2 by building societies) down from CZK 187 billion in 2018. Nevertheless, the new, stricter CNB recommendations on income limits for borrowers could have also affected non-mortgage loans associated with housing, so it should be a better measure for evaluating credit market developments.

Looking at the stock of loans in a YoY comparison, housing loans grew by 6.7% YoY, quite a solid rate as new loans (i.e. flow) impact the total level with some delay. Consumer loans increased by 8.9% YoY and corporate loans by 3.7% in 2019.