

FOCUS · Household deleveraging, at different speeds

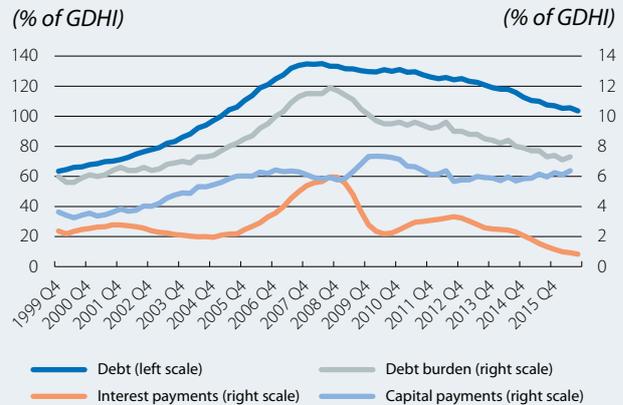
In general, household debt has fallen dramatically over the past eight years. The most recent figures, for 2016 Q3, place this at 103.5% of gross disposable household income (GDHI), 31.5 pps below the peak reached in 2008 Q2. This substantial fall, together with lower interest rates, has helped to greatly reduce the debt burden of households: debt payments (including capital and interest) accounted for 7.3% of GDHI in 2016 Q2 compared with 11.7% in 2008 Q2.¹ Households are therefore in a healthier financial situation on the whole. However, these aggregate data hide very different realities. Spain's 2014 household financial survey (EFF)² allows us to examine the deleveraging in different types of household. In this article we analyse two segments of the population hardest hit by the crisis: young people and low-income households.

Between 2011 and 2014, the percentage of young households (reference person aged under 35) with some kind of outstanding debt fell considerably, from 80% to 56%. These figures reflect that fewer people at the age to create a new household have bought housing: while 69.3% of young households owned their main residence in 2011, in just three years this percentage fell to 49.5%. However, this figure is still higher than the euro area average (30%)³ and especially Germany (10%).

A second important issue is the evolution of indebtedness by household income level.⁴ Among households with a medium income level (percentiles 20 to 80), the percentage of households holding debt fell between 2011 and 2014. This situation contrasts with the trend in debt for low-income households (less than percentile 20): the percentage of households holding debt rose from 20.8% in 2011 to 27.5% in 2014 and the average value of this debt also increased from 18,900 euros to 24,500 euros per indebted household. However, the debt burden for this group of low-income indebted households⁵ fell sharply, from 46.2% in 2011 to 38.5% in 2014, thanks largely to lower interest rates. Nevertheless, this population segment still has a very high level of debt compared with indebted European households in the same income percentile (27.5%).

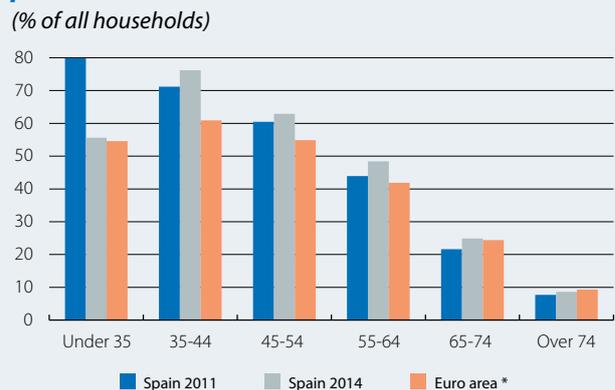
1. Aggregate debt burden data come from «BIS, debt service ratios statistics».
2. The EFF is survey published every three years by the Bank of Spain. This article uses data from 2011 and 2014 (most recent data). In this time period, household debt fell from 126.1% to 112.6% of the GDHI.
3. European data come from «The Eurosystem Household Finance and Consumption Survey», Second wave, ECB.
4. Households are divided into six groups according to their income level (percentiles).
5. Debt burden by household only takes into account households holding debt. The total debt burden (which includes all households) is therefore lower.

Household debt and debt burden *



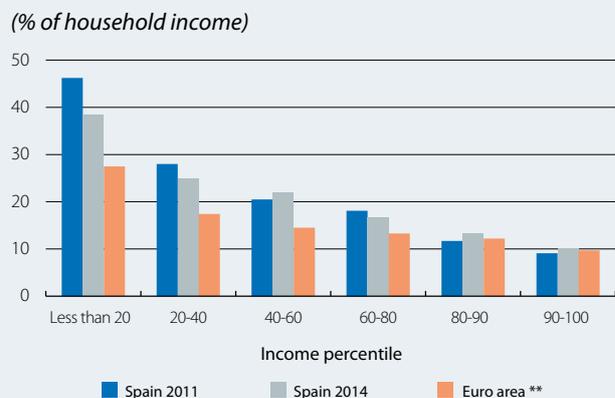
Note: * Debt burden includes interest and capital payments. GDHI is the gross disposable household income.
Source: CaixaBank Research, based on data from the Bank of Spain and the Bank for International Settlements.

Households holding debt by age of reference person



Note: * Euro area data correspond to 2011-2013, depending on the country.
Source: CaixaBank Research, based on data from the Bank of Spain (EFF) and ECB (HFCS).

Debt burden * of households holding debt by income level



Notes: * Debt burden includes interest and capital payments.
**** Euro area data correspond to 2011-2013, depending on the country.**
Source: CaixaBank Research, based on data from the Bank of Spain (EFF) and ECB (HFCS).