HOUSEHOLD CREDIT IN THE PHILIPPINES: DEVELOPMENTS, CROSS-COUNTRY COMPARISON & IMPLICATIONS TO FINANCIAL STABILITY

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BANGKO SENTRAL NG PILIPINAS

OUTLINE OF PRESENTATION

I. INTRODUCTION

A. Background of the Study

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V. CONCLUSION & DIRECTIONS FOR FUTURE STATISTICAL RESEARCH

I. INTRODUCTION

A. Background of the Study

Household Debt

2007-2009 Global Financial Crisis (GFC)

Generation of Household Debt Statistics/Data

I. INTRODUCTION

B. Definition

Household Credit/Household Debt

- Household credit, in this paper, pertains to loans extended by the Philippine banking system. The compilation of household credit follows that of IMF's Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG) wherein loans are valued at nominal value, which means that the *outstanding amount the debtor owes to the creditor include accrued interest.*

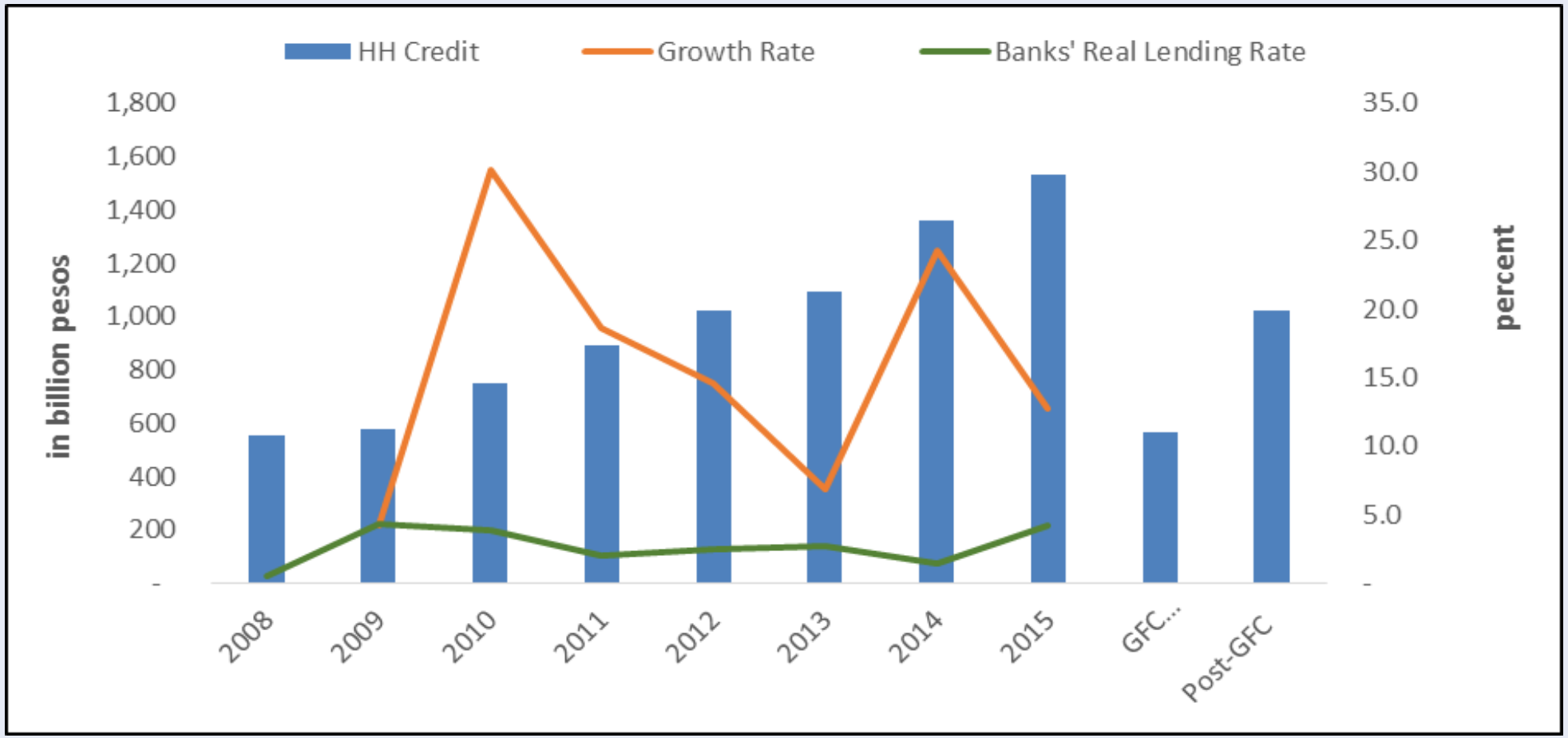
I. INTRODUCTION

C. Research Questions

Research Questions		
What are the trends and developments in the household debt using historical annual and quarterly data from the other depository corporations (ODCs)? How does the Philippines compare against other countries in terms of household indebtedness?	What are the implications of household debt to Philippine financial stability especially on the banking system?	What are the policy measures and regulations related to monitoring household credit as well as to banks' financial soundness that are currently in place or being implemented by the Bangko Sentral ng Pilipinas (BSP) as the financial supervisor?

II. TRENDS & DEVELOPMENTS ON HOUSEHOLD CREDIT

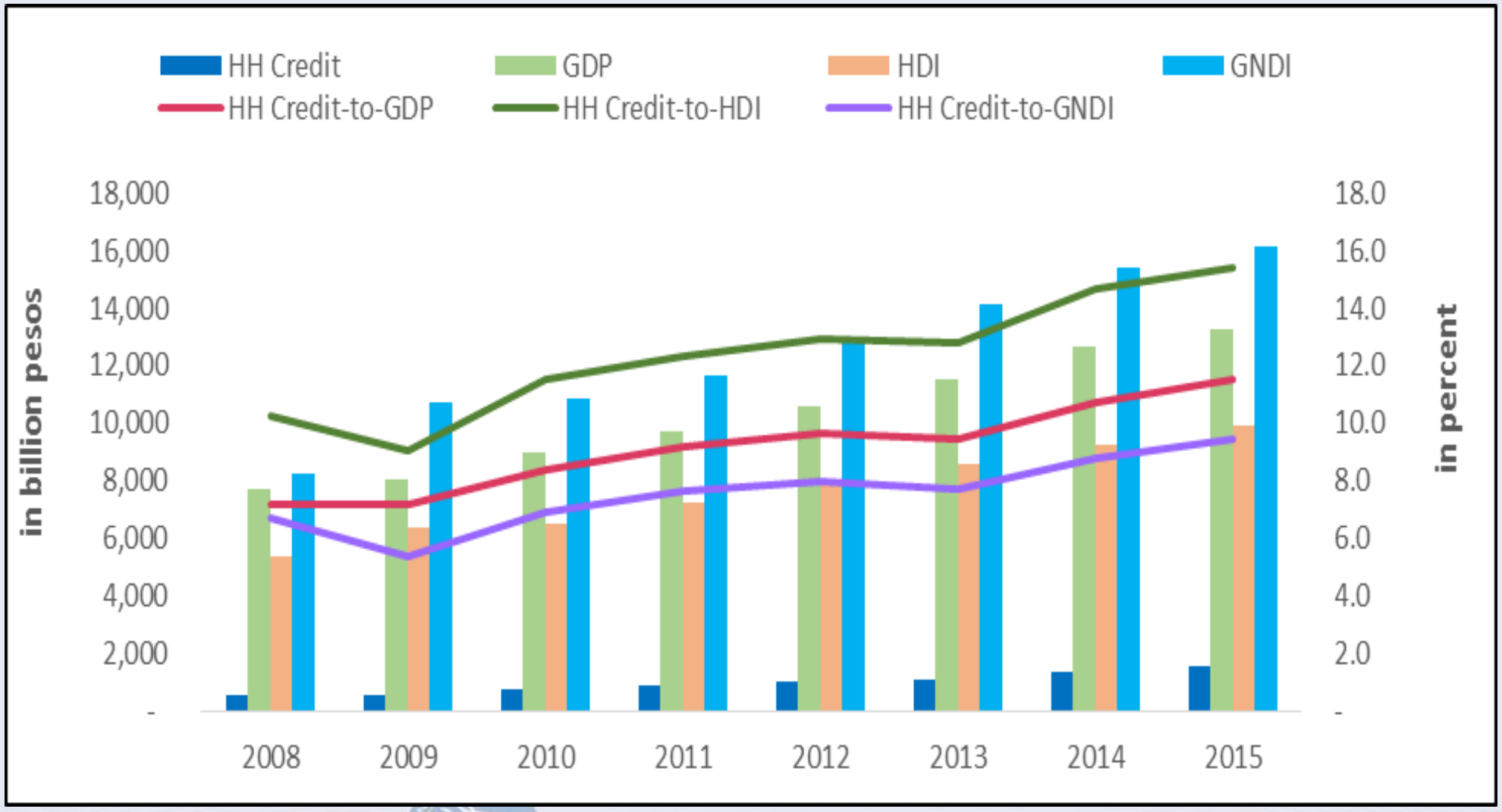
A. Level and Growth Rate of Household Debt



Source: Bangko Sentral ng Pilipinas (BSP)-Department of Economic Statistics (DES), author's computations

II. TRENDS & DEVELOPMENTS ON HOUSEHOLD CREDIT

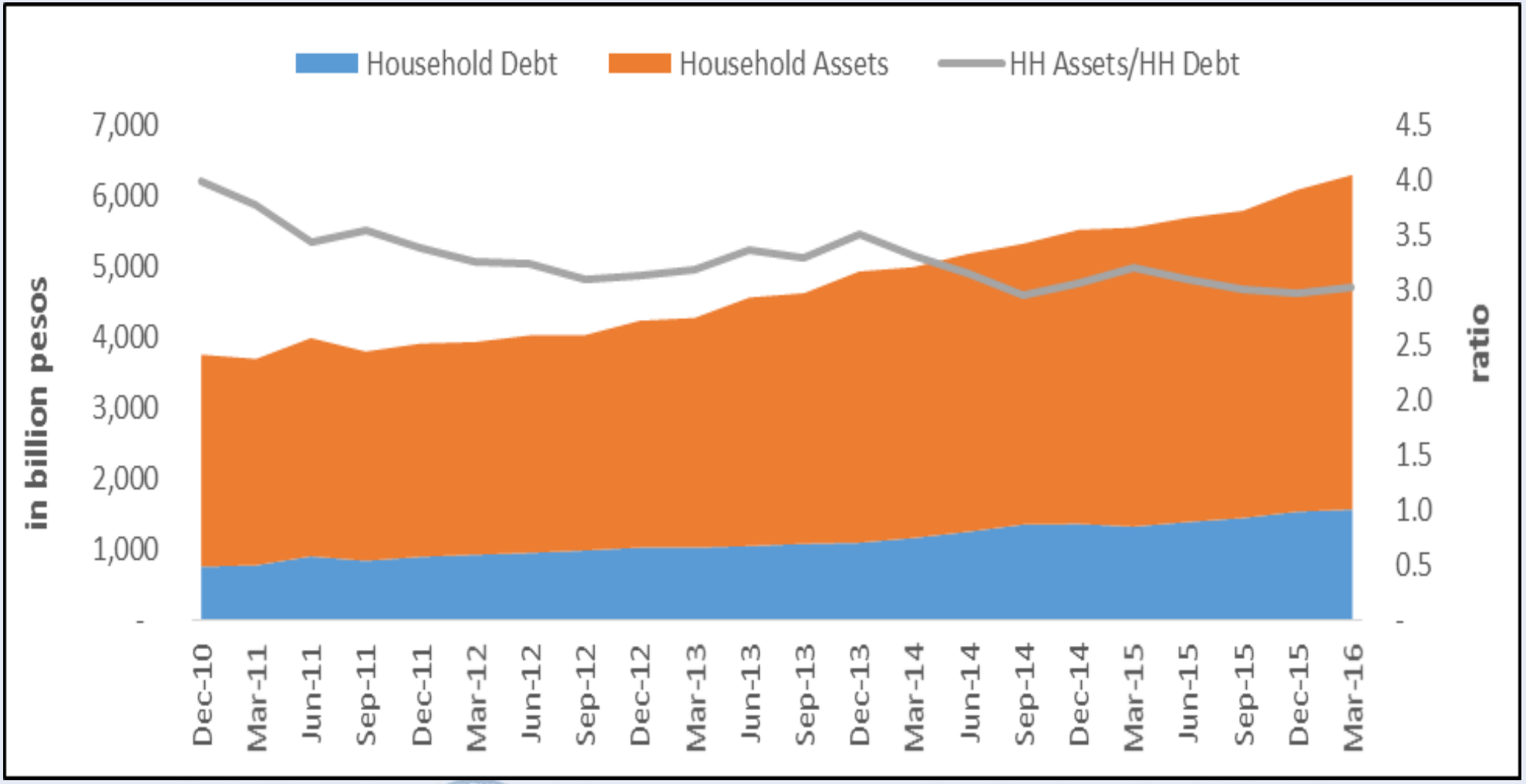
B. Household Indebtedness Indicators



Source: BSP-DES, National Accounts of the Philippines, author's computations

II. TRENDS & DEVELOPMENTS ON HOUSEHOLD CREDIT

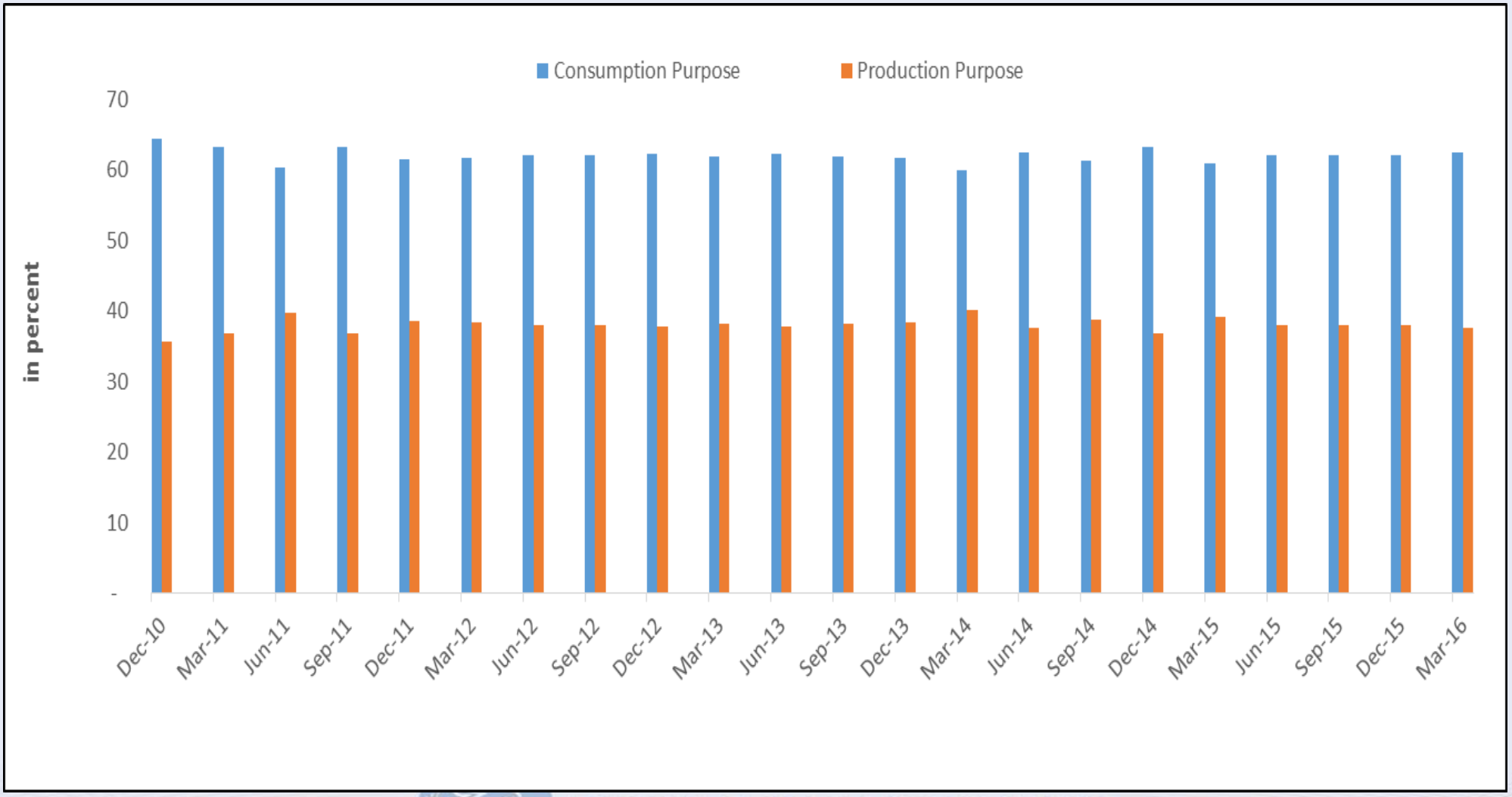
B. Household Indebtedness Indicators



Source: BSP-DES, author's computations

II. TRENDS & DEVELOPMENTS ON HOUSEHOLD CREDIT

C. Household Credit, by Type of Purpose, % share to total HH Credit



Source: BSP-DES, author's computations

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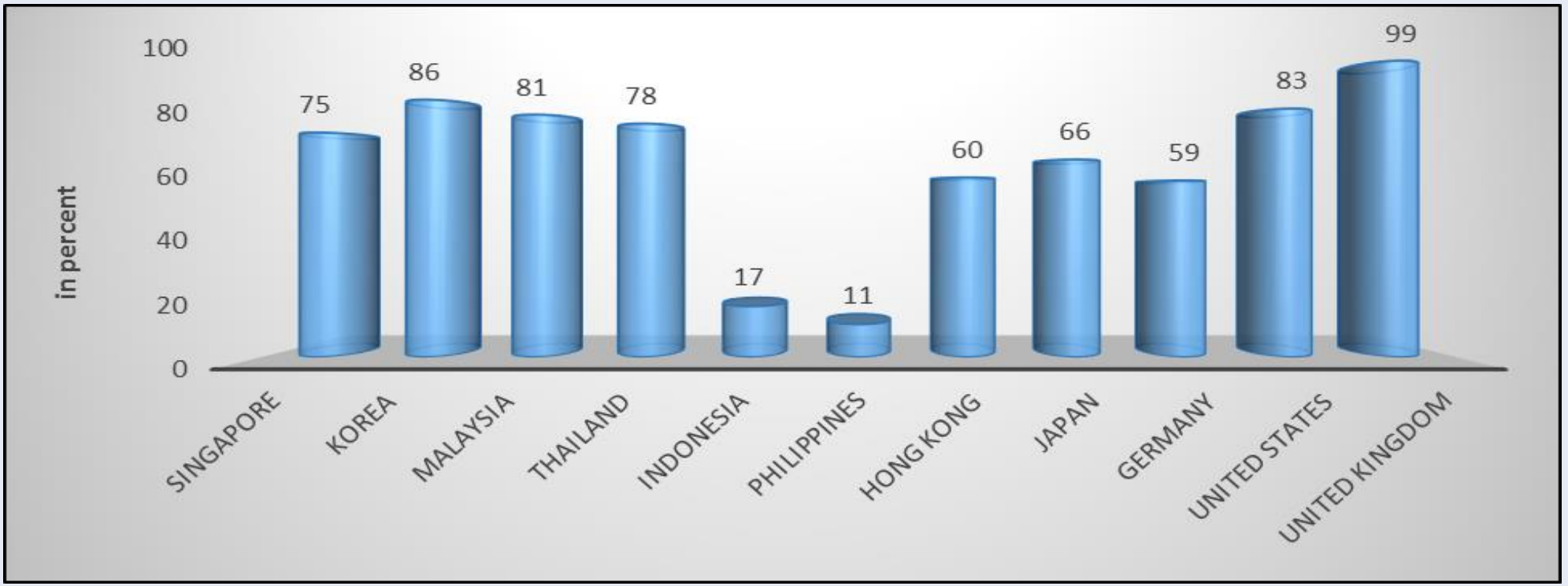
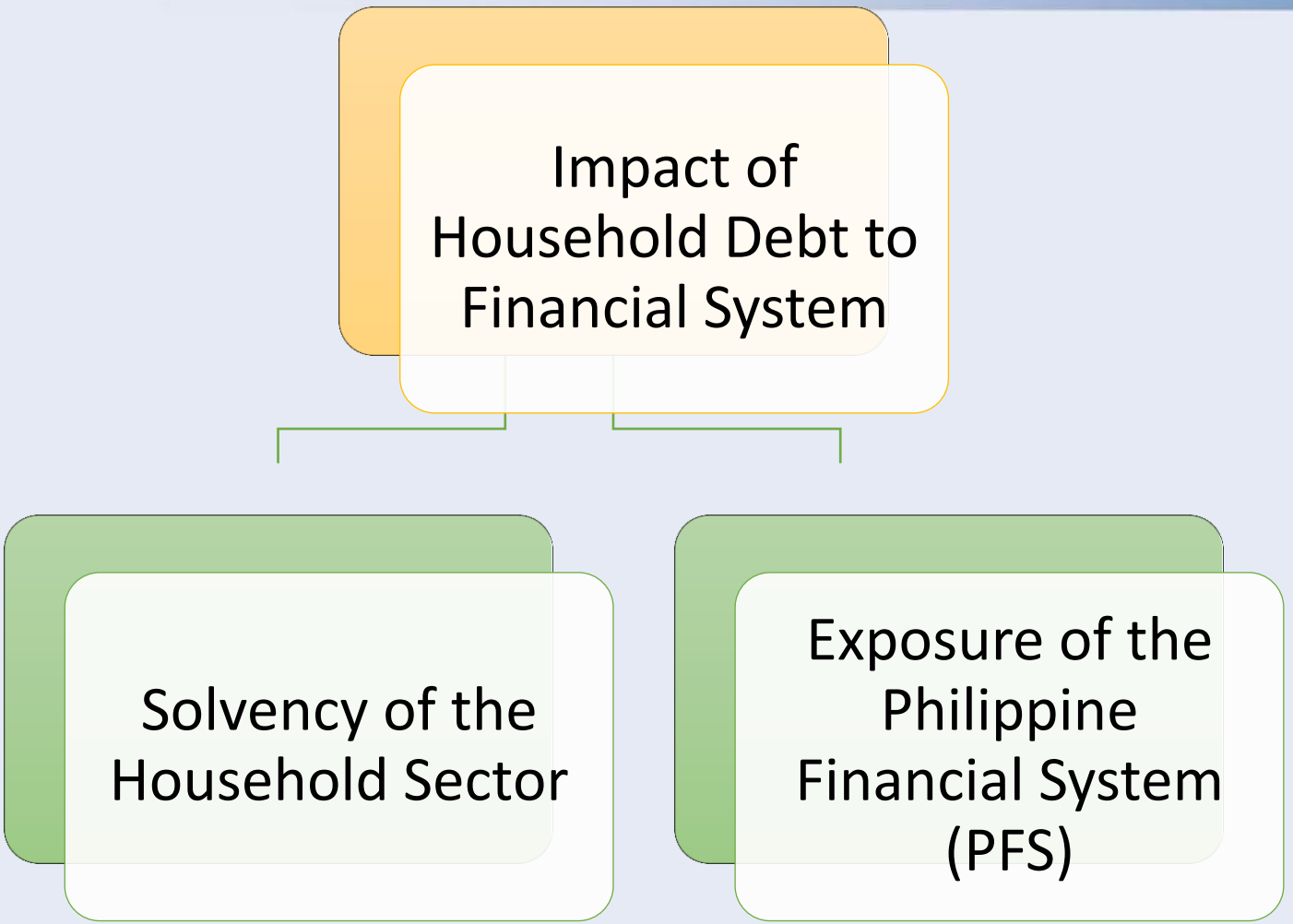
III. HOUSEHOLD DEBT ACROSS COUNTRIES

Household Debt-to-GDP Across Selected Countries (2012)



Sources: Standard Chartered Regional Research - Singapore, Indonesia and Japan; Federal Reserve Bank of St. Louis Economic Research - Korea and United States; Bank Negara Malaysia – Malaysia; Compiled by Bank of Tokyo - Mitsubishi UFJ Economic Research Office from Bank of Thailand data – Thailand; Hong Kong Monetary Authority, Census & Statistics Department - Hong Kong; International Monetary Fund, Financial Soundness Indicators – Germany; London School of Economics & Political Science - United Kingdom; and Bangko Sentral ng Pilipinas (Department of Economic Statistics) – the Philippines.

IV. IMPLICATIONS TO PHILIPPINE FINANCIAL STABILITY



IV. IMPLICATIONS TO PHILIPPINE FINANCIAL STABILITY

HH Debt in the PH is less likely to cause impending stress in the stability of PFS

Banking system that dominates the PH financial sector has relatively *less direct exposure* to the HH sector.

Banking system, which remains as the main source of credit in the economy, adopts generally conservative and cautious lending standards.

IV. IMPLICATIONS TO PHILIPPINE FINANCIAL STABILITY

Philippine Banking System's Loans Outstanding, by Economic Sector

Source: BSP-DES, author's computations

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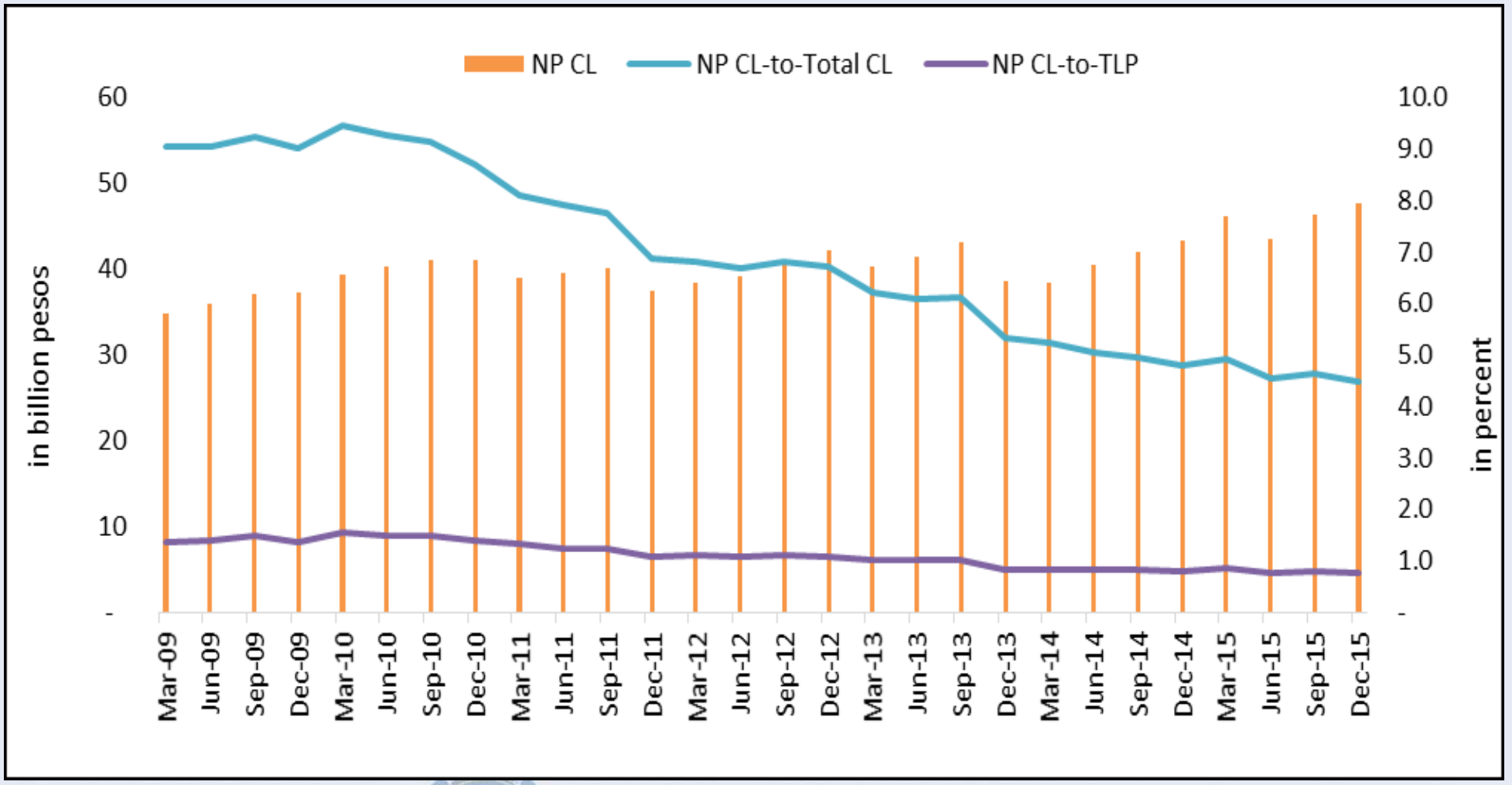
IV. IMPLICATIONS TO PHILIPPINE FINANCIAL STABILITY

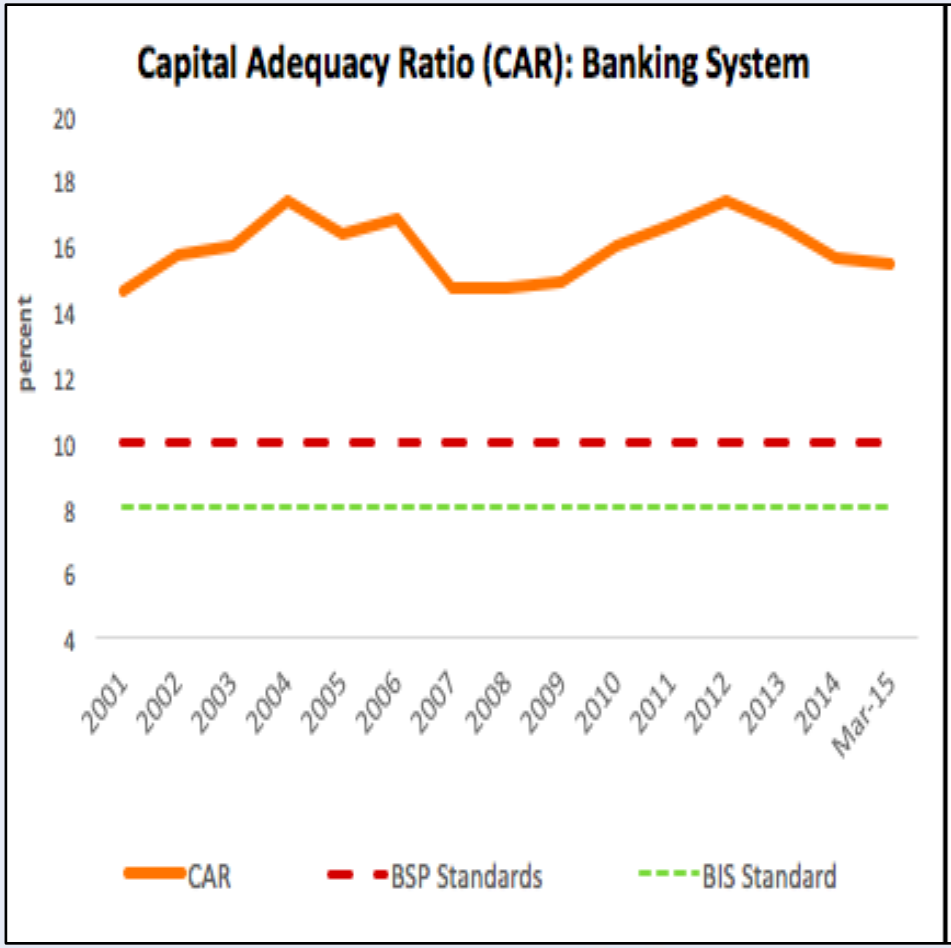
Non-performing Consumer Loans (CL), % share to Total CL and Total Loan Portfolio

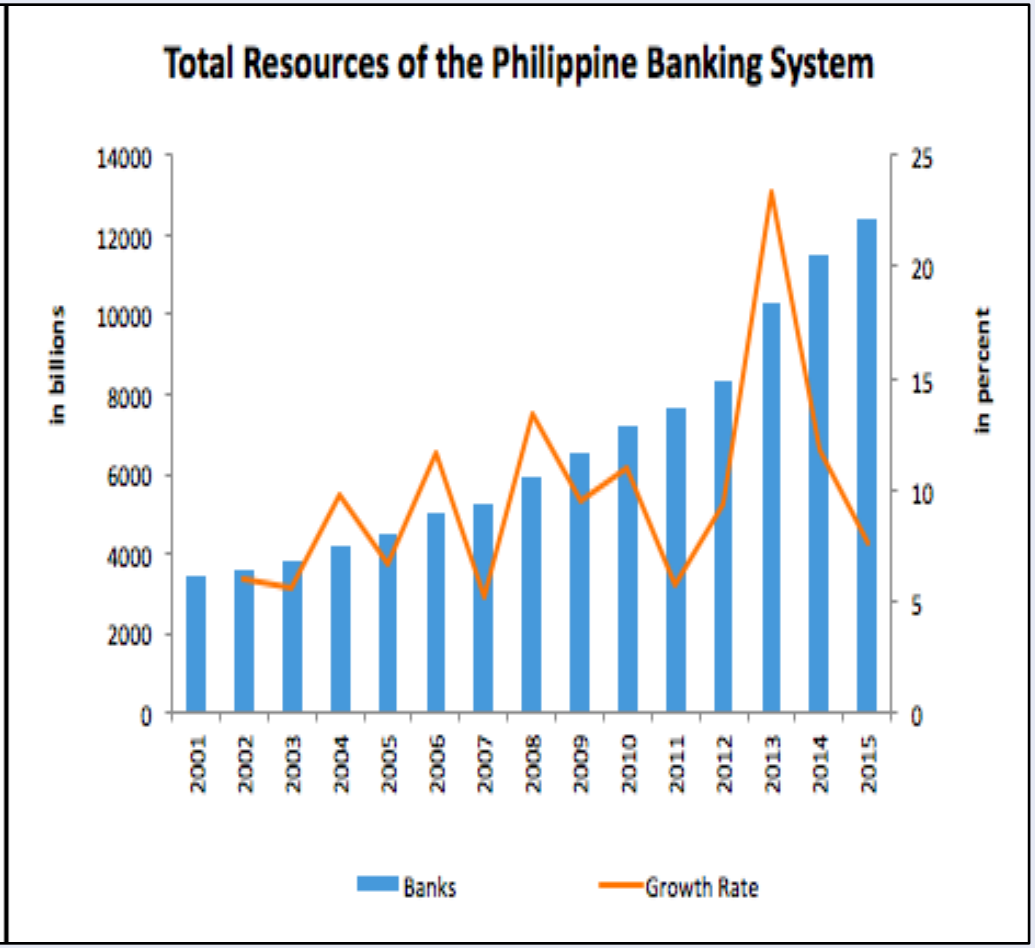


Source: BSP

IV. IMPLICATIONS TO PHILIPPINE FINANCIAL STABILITY

Capital Adequacy Ratio (CAR) and Total Resources of the Phil. Banking System





Source: BSP

IV. IMPLICATIONS TO PHILIPPINE FINANCIAL STABILITY

BSP's Policy Measures and Lending Regulations

- LTV at 70% for home and mortgage loans
- Cash-flow analysis and ability-to-pay criteria
- Re-evaluation of creditworthiness

V. CONCLUSIONS & DIRECTIONS FOR FUTURE STATISTICAL RESEARCH

Conclusions

While household debt in the Philippines is less likely to cause financial instability in the banking system, household debt still merits continuous and close monitoring to ensure that the financial system remains solid and sound while upholding consumers' financial protection.

Directions for Future Statistical Researches

- Improve data capture of household debt; efforts are underway to collect information on household debt from non-banks.
- Disaggregating household credit by income bracket to facilitate stress testing analysis.

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