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EUROPEAN MORTGAGE FEDERATION

Disclaimer

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Note: Housing and Mortgage Markets in 2009 overview and other country chapters written by the EMF

Contents

Note

The Hypostat, the annual statistical compendium on EU mortgage and housing markets published by the EMF, enlarges its scope also this year well beyond the borders of Europe. As with the 2008 edition which presented for the first time data and a Country Report on the United States, an article on developments in mortgage and housing markets in Japan is, in fact, available in this 2009 edition.

We remind readers that, for sake of immediate cross-country comparability and homogeneity, national annual values for mortgage lending indicators in the statistical tables are expressed in EUR. We are fully aware that this may cause some problems in the correct interpretation of the data itself, due to the potentially considerable exchange rate effects which can distort the size of mortgage lending figures expressed in national currencies, to considerable differences in definitions of some indicators for which the available data is not fully comparable on a cross-country basis, and to the heterogeneity of the statistical sources. For more information on definitions for the indicators which are used in the present publication, please see the Annex "Explanatory Note on data".

Key Facts

Annual 2009 statistics on the European mortgage markets reveal that - following from the recession experienced in 2008 (-1.4% according to revised 2008 data), the EU27 mortgage market on aggregate experienced a slight recovery as growth in values of outstanding mortgage lending over the previous year returned to positive territory (0.6%).

Nevertheless, in 2009 EU mortgage and housing markets were continuously impacted by the worst macroeconomic recession in the EU since World War II. This negative factor coupled with the global financial crisis, which was triggered by the sub-prime crisis in the US and the Lehman Brothers crash in the second half of 2008. However, while 2008 year-end values of outstanding residential lending reported in the EMF`s Hypostat 2008, did not fully reflect the effects of this overall downturn, in 2009 mortgage and housing market conditions saw a further deterioration as a consequence of the macroeconomic and financial turmoil, especially in Q1 and Q2. In Q3 and Q4 2009 however, some signs of a pick-up in activity were recorded in many markets.

As a result, on a year-on-year basis, most markets still recorded positive increases in outstanding lending values in 2009 when expressed in EUR (Chart 6). The only exceptions were the Baltic Countries, the UK, where we find however a negative year-on-year figure which is due solely to the exchange rate effect (once calculated in GBP values it would have been slightly positive, 0.7%), and Ireland, where a negligible decrease was recorded.

On the other hand, new lending fell sharply over the previous year in all the markets surveyed, although these declines started to stabilise in Q4 2009. EU countries can be divided into roughly two groups: firstly those where declines in new lending were more pronounced than in others (Baltic countries, Czech Republic, Finland, France, Ireland, Italy, Netherlands, the UK) and secondly, those where there were less sustained decreases and in some cases even positive developments on the previous year (Sweden, Belgium, Denmark). It has to be highlighted however, that some of the former group and all of the latter group returned to positive growth rates in new mortgage lending in Q4 2009. Considering the EU as a whole, tightened lending criteria, growing unemployment rates and ongoing funding problems for mortgage banks were the main factors behind this performance. The underlying macroeconomic scenario continues to provide low support to mortgage demand; the mortgage market recovery is therefore subdued due to a feeble economic recovery and to rising unemployment rates (albeit having stabilised in some countries).

However, an essential stimulus to mortgage demand is still coming from the extremely supportive monetary policy stance by the ECB and other Central Banks, which started at the onset of the financial crisis (Q4 2008), and pushed interest rates to record lows. These cuts in policy rates were passed on to mortgage interest rates so as to provide decisive support to existing and potential borrowers. Moreover, the monetary policy outlook in the euro area is likely to remain unchanged over the forthcoming months due to the lack of significant inflationary pressures and the need to sustain the macroeconomic recovery.

Developments in mortgage lending in EU countries were also a reflection of the continuous and dramatic correction in European housing markets following the longest and most positive housing cycle ever recorded, which resulted in huge excess supply and some speculative bubbles in some EU countries. Housing activity (in terms of building permits and housing starts) generally experienced an even harsher correction on the previous year than was already recorded in 2008. Since the peaks observed in 2007 annual data, housing activity returned to pre-1998 levels. This was particularly true in those countries which recorded excess supply in housing, but the slowdown in housing activity was generalised. According to Eurostat data, residential investment also declined in 2009, compared to a repeat performance of the decline which had taken place in 2008 in most countries. On the demand side, in 2009 housing market conditions continued to follow a weak trend. However, the negative housing cycle, which started in 2007-2008 after the end of the boom in residential construction and house prices, has considerably slowed down in some countries. Parallel to this, other housing markets recorded short-term positive developments in Q3 2009 and Q4 2009, which would suggest that in these countries the housing recession is over. As regards national annual data however, house prices across the EU recorded year-on-year decreases which were more pronounced than those already recorded in 2008, as a result of the much weakened housing demand.

To summarise, the latest update on housing and mortgage market conditions across the EU does not suggest that a general recovery was noticed in all EU countries but at the same time most markets have returned to more sustained activity from the lowest levels seen in past quarters and this - barring any further fall-out from a euro area sovereign debt crisis - allows a moderately optimistic outlook for the forthcoming quarters of 2010.

In summary, Hypostat 2009 provides the following overview:

- In the EU27 the aggregate volume of residential mortgage lending outstanding recovered slightly after the mild recession recorded in 2008 (0.6% after -1.4%) and increased from EUR 6,090 billion in 2008 to EUR 6,126 billion in 2009. This positive performance recorded in 2009 however, represents a clear slowdown in comparison with the growth rates recorded during the 2002-2007 booming cycle (9.5% on compound annual average). Residential mortgage lending to GDP ratio in the EU27 increased up to 51.9% (from 49.9% in 2008), mainly due to the sharp decline in nominal GDP as a result of the tough economic recession;
- While remaining positive in several EU countries, growth rates in total outstanding mortgage loan volumes further slowed down across the EU in comparison with the previous year. As in previous years, the New Member States (NMS) of the EU27 generally recorded higher annual growth rates than the EU15 Member States, but also much lower growth rates in mortgage lending than in previous years;

- Only three out of the EU27 Member States experienced higher growth in outstanding mortgage loan volumes (expressed in EUR) in 2009 than in 2008: Italy, Malta and Portugal, while Germany recovered (by 0.1%) after the mild recession of 2008 (-0.9%). The countries which recorded negative annual growth rates in outstanding mortgage loans expressed in EUR were Estonia, Ireland, Latvia, Lithuania and the UK (-6%, although it is worth highlighting that this was solely due to the exchange rate effect – in fact, when expressed in GBP, outstanding mortgage loans in the UK increased by 0.7%);
- As regards growth rates in gross residential loans, while these had generally been much more moderate compared to previous years (or even negative) in most countries in 2007, in 2008 they were sharply negative in most EU countries surveyed. Evidence of positive growth rates could be observed only in Belgium, Denmark, Malta, Portugal, Slovenia and Sweden;
- Housing supply, both in terms of housing starts and building permits issued fell significantly in several EU countries in 2009 after the sharp decrease already recorded in 2008. After some signs of cooling-off in residential construction activity which were reflected in 2007 data, falls in housing supply indicators were recorded in all countries where information was available. The correction process from the peaks in residential construction led to the most severe falls on record in many of the countries which experienced the booming housing cycle from 2002 to 2007;
- Regarding house prices in nominal terms, the negative trends reported in 2007 continued in 2008 and further sharpened in 2009 in some countries (Baltic Republics, Ireland, Spain, the UK), and leading to negative year-on-year growth rates in most EU15 countries, albeit at a more moderate rate. On a quarterly basis, it has to be highlighted that some signs of pick-up in housing demand were observed across many markets and short-term increases in house prices were recorded in Q3 and Q4 2009. In those markets where annual increases in house prices were reported, these growth rates were lower than in 2008. In the New Member states (NMS), where growth rates in house prices had largely outpaced those of the EU15, the picture was substantially reversed: Bulgaria experienced a spectacular recession (-21.4%) for the first time on record, and so did Slovakia (-11.1%), while in Estonia another dramatic fall in house prices (-32.7%) followed that of 2008 (-28.5%). On average, nominal house prices decreased by 6.8% in the EU27 and a fall of 3.1% was recorded in the euro area;
- Policy interest rates dramatically decreased to historical lows as a result of monetary policy decisions by the ECB and other EU central banks between Q4 2008 and Q2 2009 (the ECB lowered its central rate by 325 basis points from 4.25% in October 2008 down to 1.00% in May 2009), which eased the ongoing funding problems for mortgage banks and supported mortgage markets. These cuts were also passed through to mortgage interest rates;
- Mortgage interest rates in the EU and in the euro area substantially decreased from December 2008 to December 2009 across all loan maturities. Interest rates had started dropping in December 2008, and after the large cuts in the ECB policy rate in Q2 2009 they fell to historical lows, which helped soften the continuous mortgage market slowdown. However, due to flat or decelerating inflation in the euro area, real interest rates remained stable. The increase in nominal mortgage interest rates during 2008 contributed to the shift in borrowers' preference towards longer-term and fixed rate mortgages, while the decrease in variable mortgage interest rates throughout 2009 – as a result of the ECB monetary policy's pass-through – in many countries reversed consumers' preferences towards variable-rate mortgage loans.

Housing and mortgage markets in 2009

1. Macroeconomic overview

In 2009 the EU27 experienced its worst macroeconomic recession ever as real GDP decreased by 4.2%, following the slowdown in economic growth recorded in 2008 (0.7% according to the latest revision, formerly 0.9%). At the end of the previous economic cycle, in 2006 and 2007 real GDP in the EU27 had increased by 2.9% and 3.2% respectively. In the euro area the decrease in real GDP was slightly lower, i.e. 4.1%. After a considerable fall in the first two quarters of the year, during the second half of 2009 economic activity in the EU improved slightly on a quarterly basis.

The performance of the EU economy in 2009, which experienced its most severe recession since World War II – even worse than during the two oil shocks of the 1970s - was due to the negative contribution to GDP growth from domestic demand (i.e -4.0%, and particularly from gross fixed investment: -11.5%) and exports (-5.1%). The latter declined as a result of the faltering developments in global trade. The contribution from private consumption, which had substantially sustained the EU economy in 2008 (0.9%), also turned negative in 2009 (-0.5%). As a result of the crisis, public finances in many Member States severely worsened and led to wider budget deficits than in previous years, reaching – among others - 14.3% of GDP in Ireland, 13.6% in Greece, 11.5% in the UK, 11.2% in Spain and 9.0% in Latvia. Due to the global economic crisis, the decrease in trade of goods and services resulted in a slowdown of exports for many EU economies. However, the decrease in domestic demand also recorded led to an improvement in the current account balance in many export-driven European economies.

Moderate pressure on prices resulting from a combination of weak economic activity and stable commodity prices led the ECB to focus primarily on macroeconomic conditions rather than on inflationary concerns. The ECB had increased its policy rate by 25 basis points (bps) in July 2008, from 4.00% to 4.25%, which was the last policy rate increase to date in the euro area. In October 2008 the ECB reversed its policy and lowered its key interest rate by 50 bps. This rate cut was followed by two further cuts, the first in November by 50 bps and the second in December by 75 bps, so that by the end of 2008 the policy rate in the euro area reached 2.50%. During Q1 2009, the ECB decided to execute four additional consecutive cuts, ending up with a policy rate representing its historical low of 1.00% by May 2009. The expansionary stance in monetary policy was expected to continue in the next year, because of the ongoing deterioration of the macroeconomic environment and the dramatic developments in inter-bank lending markets as a consequence of the credit crisis.

The global recession that hit the world economy in late 2008 produced its most severe consequences throughout 2009, while some signs of feeble macroeconomic recovery were observed across EU countries in Q3 and Q4 2009. On an annual basis, in 2009 all EU countries experienced a negative growth rate in real GDP for the first time in more than a decade, with the only exception being Poland, where a modest economic growth was recorded (1.7%). The countries which experienced the hardest recession in the EU15 were Finland (-7.8%) and Ireland (-7.5%). The New Member States apart from Poland, which significantly outperformed GDP growth rates of the EU15 countries in previous years, felt the worst conditions of the global crisis in 2009 and experienced tremendous recessions. In fact, the three Baltic Republics recorded the worst recessions among the EU countries.

In 2008, inflation in the EU27 (measured as the Harmonised Index of Consumer Prices, HICP) accelerated in comparison with 2007 due to the considerable pressures on prices in the first half of the year, reaching 3.7% on yearly average (1.3 percentage points above the 2007 level and 1.7% percentage points above the 2% inflation target stated by the ECB) and inflation rates were therefore generally higher in 2008 than in 2007 in all EU countries. During 2009, the lack of inflationary pressure due to stable developments in commodity prices and the very weak economic environment led to a sharp deceleration of inflation across the EU (1.0% on average), and also to negative inflation rates in three EU countries, i.e. Spain, Portugal and Ireland (-1.7%, -0.9% and -0.2% respectively), of which the latter experienced negative growth in consumer prices for the first time on record. The highest annual increase in the HICP across the EU was recorded in two NMS, i.e. Romania and Lithuania, of 5.6% and 4.2% respectively, however slowing down from the respective 2008 levels of 7.9% and 11.1%.

During 2008, the labour markets in the EU suffered to a limited extent from the worsening economic scenario (as far as data available at the end of 2008 recorded), even though employment conditions across the EU for 2009 had worsened remarkably in the last quarter of the year. However, the decrease in real GDP was not yet reflected in 2008 unemployment figures, since there is empirical evidence that adjustments of the labour market to the changes in the macroeconomic environment are rather lagged. During 2009 the effects of the economic crisis impacted employment conditions most severely. On aggregate, EU27 total employment in 2009 decreased by 1.8% year-on-year (in 2008 it had been still positive, i.e. 0.9%). The unemployment rate in the EU27 on yearly average increased to 8.9% (from 7.0% in 2008). Despite some slight quarter-on-quarter signs of recovery in real GDP growth in the second half of the year, labour market conditions further worsened across EU countries and dramatic rises in unemployment rates were observed in some individual countries, where it went above or around 10%. In the three Baltic Republics the unemployment rate more than doubled on 2008 and ranged between 13.7% in Lithuania and 17.1% in Latvia, while in Spain the annual average unemployment rate climbed up to 18%, the highest level since 1995 and the highest recorded among EU countries in 2009.

2. Housing markets

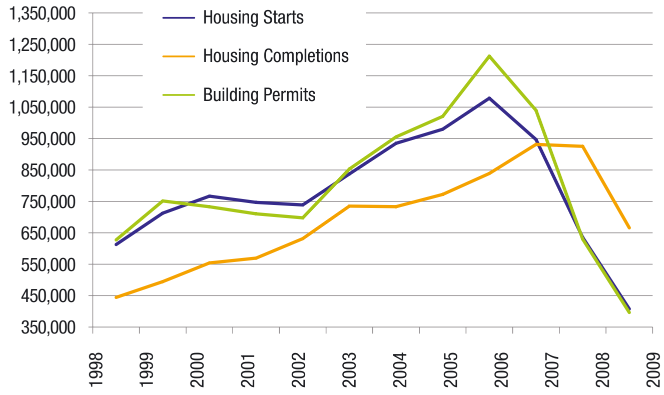
2.1 Housing supply developments

After the continuous slowdown in housing activity which had first been reported by both 2007 and 2008 data, the numbers of building permits, housing completions and housing starts provided evidence of a further decline in housing supply in the EU countries where data was available, as a result of the harsh correction in the housing market cycles (Chart 1). Due to the unavailability of data for some countries, it was not possible to collect aggregate figures for all EU27 countries and therefore a group of seven countries (Czech Republic, Denmark, Finland, Poland, Slovakia, Spain, Sweden) for which a consistent set of data from 1998 to 2009 is available was considered. Aggregate data for these seven countries shows that residential building activity returned to pre-1998 levels. The peak to trough falls were of 62% for housing starts (from 2006 to 2009), 67.2% for building permits (from 2006 to 2009) and 28.4% for housing completions (from 2007 to 2009). The reasons behind this performance were firstly a continuity of the correction from the historical highs in housing construction which had led to wide disequilibria (i.e. excess supply over demand) in some markets, secondly, the growing funding problems for developers (i.e. tighter lending criteria for building projects) and – lastly - the expectations of further decreases in house prices.

As a result of expectations of further easing in housing demand, in 2009 the number of building permits decreased in all the EU countries observed, except for Cyprus (where it increased by 0.6%), and Germany (by 1.9%), which in both countries represented a recovery after the decreases that took place in two consecutive years (2007 and 2008). It should also be noted that in Germany – where the market was countercyclical compared to other EU countries which experienced an extraordinary growth in housing supply in the past years – housing construction recovered after the abolishment of subsidies on January the 1st, 2006 and increase in the VAT rate from 16% to 19 % on January the 1st, 2007 (which had boosted residential construction activity in the last months of 2005 and in 2006). In most of the other countries the decrease was more pronounced than in 2008, such as in Estonia (61.9% vs 38.7% in 2008), and Ireland (40.7% vs 21.4%).

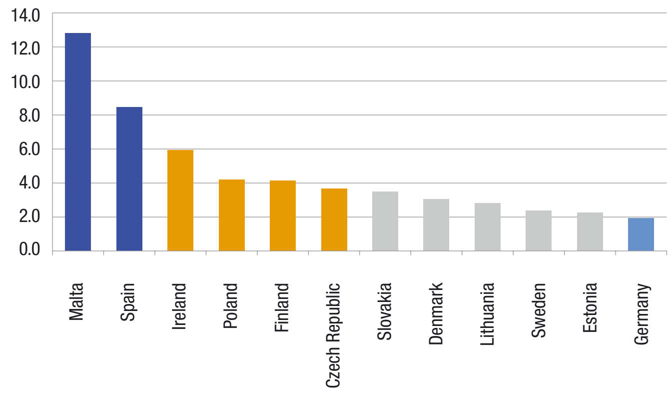
In contrast with the 2008 decrease in the number of building permits, which for many EU countries were milder than in 2007, the drop in 2009 in general was more severe than the previous year also in Belgium (-13.5%, formerly -2.5%), Denmark (44.8%, formerly 34.6%), France (23.6%, formerly 16.8%) and Poland (24.6%, formerly 5.6%); however, in 2009 the year-on-year falls in building permits decelerated in some countries compared to 2008, namely in Greece

CHART 1 ▶ Housing Supply Indicators, 1997-2009, EU 7 (CZ, DK, FI, , PL, SK, ES, SE)



Source: European Mortgage Federation

CHART 2 ▶ HOUSING COMPLETIONS PER 1000 INHABITANTS - 2009



Source: European Mortgage Federation

(14.3% vs 15.6%), Finland (0.8% vs 17.2%), Italy (15% vs 20.5%), and Spain (58% vs 59.4%).

The number of housing starts followed this negative trend and also decreased everywhere in the EU15 economies in 2009 following the year-on-year falls recorded in 2008, which had marked the end of an extremely buoyant cycle of the period between 2001 and 2007. In Ireland, housing starts fell by 62.3% after the 53.2% decrease in 2008 and reached 8,604 units, indicating that the tightening of housing supply has dramatically worsened parallel to the sustained decline in the construction sector, which was demonstrated by the 49% fall in completions and reaching the historical low of 26,420 units in 2009. The decline in housing construction has significantly impacted the wider economy through the sharp fall in employment and investment level in the sector.

Also in Denmark and Sweden the decrease in the number of housing starts in 2009 (by 41.4% and 27.9% respectively) were more radical than in 2008 (36.4% and 21.8% respectively). France experienced a more dramatic negative growth rate in housing starts (by 18.9%), following the 15.3% decrease in 2008 (which was the first drop since 2002). In Finland the downturn in housing starts resulted in a more subtle negative growth rate in 2009 (1.9%) than in the previous year (10.3%) suggesting that the housing sector experienced most of the correction process from the peaks in housing construction. Similarly, another downturn in housing activity was recorded in Poland, where the year-on-year growth rate was more negative than in 2008 (-18.2% vs -5.6%) thereby posing an end to the buoyant housing cycle of the years between 1999 and 2007, and resulting in a very sustained annual increase since 1999.

In Spain, the sustained decline in the construction sector continued, resulting in a drop in the number of housing starts, which went down to its historical low of 159,284 units; this matched the fall of 51.5% on the previous year (after the drop of 46.7% in 2008). As a consequence of the large adjustment in the construction of new dwellings following the severe drop in housing demand, housing starts remained far below the number of completions also in 2009 as well as in 2008.

As for the housing completions, the year-on-year decreases recorded in 2009 in most countries were still less severe than for housing starts and building permits. Among EU27 countries, positive year-on-year developments in completions were recorded in two countries; Slovakia (9.6%, which was higher than the 4.3% increase in 2008) and Czech Republic (by a meagre 0.2%). Apart from these two exceptions, completions decreased in the rest of the EU countries (at a faster pace than in 2008). The New Member States in particular recorded downturns in housing completions for the first time on record (after significant increases in 2008). Amongst these were Poland (-3.1%), Lithuania (20.5%), and Estonia (42.9%), ending the very positive – but overheated - housing cycle of the previous years.

According to the EMF figures on housing completions per 1,000 inhabitants in 2009 (Chart 2), the reduction in the gap between the EU15's mature housing markets and the markets of the New Member States came to a halt in comparison with previous years, mainly as a consequence of the fall in the number of housing completions due to the sharp downturn in housing activity in most EU countries[1].

Data in the EU27 ranged from a value of 12.8 units in Malta (for which only the 2009 annual data is available) to 1.9 units in Germany.

Indeed, compared to the 2008 picture, national data available for 2009 reveal a general decline in values, which is consistent with the historical lows in the number of housing completions that were recorded across the EU. In Ireland, one of the `housing boom countries`, this figure fell sharply from 11.8 units in 2008 to 5.9 units in 2009, which was the biggest year-on year decrease among the countries observed. In Spain it also went down from 13.6 units to 8.4 units recorded as the highest level in the EU in 2008 (while in 2008 Luxembourg had the lowest figure, i.e. 1.9 units).

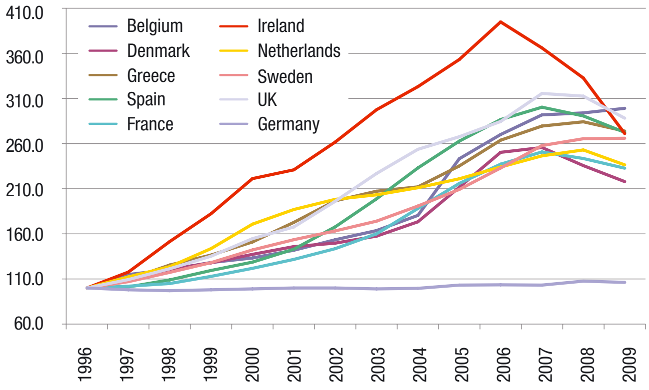
The only increase in the number of housing completions per 1,000 inhabitants was recorded in Slovakia (from 3.2 to 3.5 units). As far as the rest of the New Member States are concerned, it remained unchanged in the Czech Republic, it decreased in Poland (although it remained above the threshold of 4 completions per 1,000 inhabitants), whereas the fall was more severe in Estonia (where the number fell below 4 units) and Lithuania.

2.2 Trends in house prices

Chart 3 shows the increases in nominal house prices from 1996 to 2009. Taking the whole period into account from 1996 to 2009 inclusive, Belgium and the UK were the two countries which recorded the strongest increase in nominal house prices, while Ireland outperformed the other countries until 2006. Germany showed very stable developments in house prices compared to the other EU countries. In general, house prices peaked across the EU between Q4 2006 and Q2 2007, and from Q3 2007 growth in house prices started to decelerate after the very buoyant developments in housing demand of past years which led to record highs in property price indices.

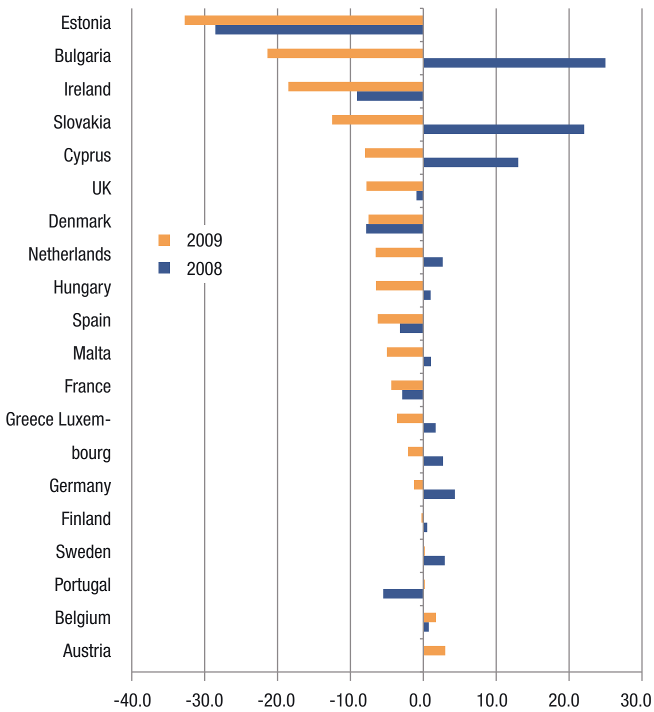
[1] The values of dwellings completed per 1,000 inhabitants were generally much higher in EU15 countries than in the NMS, and in the past years this gap between these two groups of countries had considerably narrowed. In 2009, on the contrary, this catching-up by the NMS has stopped.

CHART 3 ▶ Nominal House Price Indices, 1996-2009 (1996=100)



Source: European Mortgage Federation
Please note that since 2003 there is a change in the source of German data

CHART 4 ▶ Nominal House Prices` Growth Rates in 2009 and 2008, %



Source: European Mortgage Federation

In 2009, the slowdown which started in 2007 resulted in year-on-year falls in most EU countries that were much more pronounced than in 2008. House prices' growth rates in nominal terms remained positive only in Austria (3.0%) and Belgium (1.7%), both experiencing stability in house price growth over the previous years. Portugal and Sweden recorded the same negligible increase in house prices on 2008 (0.2%), the former following two consecutive years of housing recession. In the rest of the EU the deceleration in house price growth rates recorded in 2007 and 2008 turned into negative figures.

In some of the EU15, house prices decreased on an annual basis for the first time in years, for example in Finland (0.3%), Greece (-3.6%), Luxembourg (-2.1%), while more severe declines were observed for the first time in some of the NMS such as Bulgaria (-21.4%), Cyprus (-8.0%) and Slovakia (-11.1). In 2009, Hungary experienced a housing market recession for the first time (6.5%). On average, in 2009 nominal house prices fell by 6.8% in the EU27 (following from a 0.6% increase in 2008) and a negative growth rate of 3.1% was recorded in the euro area (after a positive growth rate of 1.5% in 2008)[2].

In contrast to this picture, countries such as the Netherlands and Sweden, which experienced large increases in house prices as well, although not as high as the so-called `housing boom countries` (Chart 3), recorded no harsh correction in house prices by the end of 2009. In the Netherlands, the growth in house prices stagnated (-0.1%), and in Sweden a slight year-on-year increase (0.2 %) - albeit more moderate than in 2008 (2.9%) and 2007 (10.9%) - was observed. These results can be partially explained by country-specific situations. In the Netherlands, a prime cut of housing supply was for consumption rather than for second homes, which left less room for speculation. The Swedish housing market experienced a less dramatic correction in house prices than other EU markets as a “housing shortage” softened the downturn of property prices.

In Germany, after the positive developments recorded in 2008 (4.3%), according to the new house price index in 2009 residential property prices dropped by 1.3%. However, available housing indicators (both on the supply and on the demand side), confirmed that developments in Germany over recent years were countercyclical in comparison with the rest of the EU[3].

In general, the highly positive developments in housing supply recorded in previous years did not lead to an excess of demand in most EU countries. The slowdown in housing supply recorded in 2007 and 2008 contributed to an easing of house price dynamics, and house prices tended to stabilise rather than dramatically decrease due to the overall absence of excess housing supply in the EU, except for a few countries (Ireland, Baltic countries).

Moreover, the negative trend in house prices across the EU markets still needs, however, to be put in the context of the historical peaks that were recorded between the second half of 2006 and the first half of 2007. It should also be highlighted that at the end of 2009 nominal house price indices across the EU remained high in absolute terms.

3. Mortgage markets

3.1 Mortgage markets developments

In the EU27 the aggregate volume of outstanding residential mortgage lending slightly recovered in 2009 after the mild recession recorded in 2008 (0.6% after -1.4%), and went from EUR 6,091 billion in 2008 to EUR 6,126 billion in 2009. This positive performance recorded in 2009, however, represents a clear slowdown in comparison with the growth rates recorded before the 2008 recession, i.e. during the 2002-2007 booming cycle (9.5% on compound annual average). Residential mortgage lending to GDP ratio in the EU27 increased to 51.9% (from 49.9% in 2008), mainly due to the sharp decline in nominal GDP as a result of the pronounced economic recession (Table 1). Most individual countries experienced higher ratios of outstanding mortgage lending to GDP in 2009 than in 2008. For example, in the Netherlands and in Denmark the ratio of mortgage lending to GDP exceeded 100% for the first time on record (Chart 5).

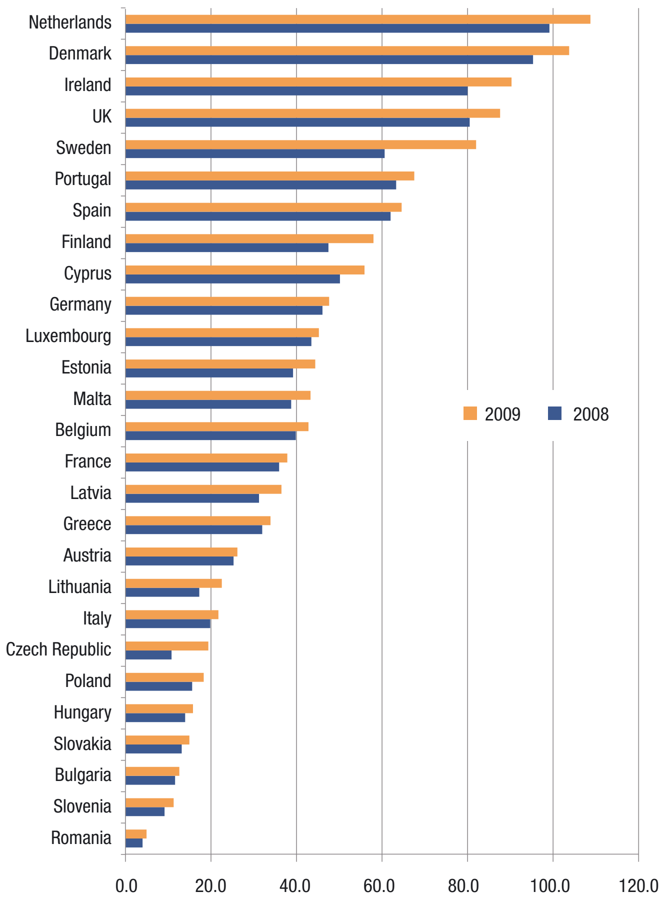
Although remaining positive in several EU countries, growth rates in total outstanding mortgage loan volumes further slowed down almost everywhere in comparison with the previous year. As in previous years, the New Member States of the EU27 generally recorded higher annual growth rates than the EU15 Member States, but also much lower growth rates in mortgage lending than in the previous years.

Only three out of the EU27 Member States experienced higher growth in outstanding mortgage loan volumes (when expressed in EUR) in 2009 than in 2008, i.e. Italy, Malta and Portugal. The countries which recorded negative annual growth rates in outstanding mortgage loans expressed in EUR were

[2] Source: European Central Bank.

[3] See Country Report on Germany for details.

CHART 5 ▶ Residential Mortgage Debt to GDP ratio, EU 27, 2009 and 2008 (%)



Source: European Mortgage Federation, Eurostat

Table 1 ▶ Residential Mortgage Debt to GDP ratio (%), 1998 - 2009

	1998	2009	growth in mortgage debt 1998-2009
Austria	n/a	26.2	n/a
Belgium	26.5	43.3	16.9
Bulgaria	n/a	12.6	n/a
Cyprus	3.6	61.3	57.7
Czech Republic	n/a	19.4	n/a
Denmark	67.5	103.8	36.2
Estonia	3.7	44.5	40.8
Finland	29.7	58.0	28.3
France	20.0	38.0	17.9
Germany	51.9	47.6	-4.2
Greece	5.8	33.9	28.1
Hungary	n/a	16.7	n/a
Ireland	26.5	90.3	63.8
Italy	7.8	21.7	14.0
Latvia	n/a	36.6	n/a
Lithuania	0.9	22.6	21.7
Luxembourg	23.3	42.0	18.6
Malta	n/a	43.0	n/a
The Netherlands	55.3	105.6	50.3
Poland	1.5	18.2	16.8
Portugal	n/a	67.5	n/a
Romania	n/a	4.9	n/a
Slovakia	n/a	14.6	n/a
Slovenia	n/a	11.4	n/a
Spain	23.9	64.6	40.7
Sweden	43.9	82.0	38.1
UK	49.8	87.6	37.8
EU27	**33.2**	**52.3**	**19.2**

Source: European Mortgage Federation, Eurostat

Estonia, Ireland, Latvia, Lithuania and the UK (-6%). It has to be highlighted that the latter was highly impacted by the exchange rate effect – in fact in GBP terms the outstanding UK mortgage loans increased by 0.7%.

This decrease in aggregate residential mortgage lending came as a result of the continuous overall slowdown in mortgage market growth rates across the EU, that was already reflected in the figures reported in the EMF Hypostat 2007 and appears, on a quarterly basis, since the EMF Quarterly Review Q2 2007.

On the other hand, once it is put in the right context, the declining performance in outstanding residential mortgage lending observed in many markets in 2009 can be seen as a continuous correction, after recording sustained increases in the highly positive cycle of previous years. When looking at historical data, evidence suggests that the importance of mortgage lending within the EU economy has in fact grown enormously. Table 1 shows the total growth in mortgage lending as a percentage of GDP from 1998 to 2009 and Chart 5 reports the national data on mortgage lending as a percentage of GDP in 2009 and in 2008.

During 2009, the consequences of the macroeconomic and financial crisis which reached its peak in Q4 2008 were widely observed across EU mortgage markets.

In general, the very favourable picture of the latest booming cycle in housing and mortgage markets in the EU, which lasted from 2002 to 2007, turned into a combination of rising mortgage rates (up to November 2008), slowing growth in house prices, decreasing confidence among consumers and growing funding problems for mortgage banks. The picture did not change throughout 2009 and mortgage markets did not recover to reach the sustained growth rates of the previous cycle. Overall, the correction in mortgage activity in the EU should be put in the context of a general market slowdown from historical highs, which had already started before the onset of the financial crisis. Moreover, there was some basis for believing that the EU mortgage markets were already starting to slow down in 2007, and there is not enough evidence to support the assumption that the international credit crisis coming out as a result of the subprime loans-originated crisis in the US in 2008 largely affected mortgage lending developments in the EU. The pace of the general slowdown experienced in the EU as a whole in 2009 can also be compared to the severity of the slowdown experienced in US housing and mortgage markets[4].

Considering mortgage lending values expressed in national currencies (Chart 6), despite the continued deterioration throughout the year in macroeconomic conditions (particularly unemployment rates), 2009 was characterised by positive performance in most mortgage markets, providing an overall picture of the state of mortgage markets that was comparably better than in 2008. The impact of the macroeconomic and financial crisis was, in fact, largely offset by the pronounced expansionary stance in monetary policy across the EU, which led to record lows both in policy rates by the ECB and other Central Banks and in mortgage interest rates for borrowers. In the New Member States, all of which experienced growth in mortgage lending above 15% in 2008 (with the exception of the three Baltic countries and Malta), growth in mortgage lending in 2009 continued to outperform the EU15 markets but at a vastly reduced rate, hence pushing the three Baltic Countries and Hungary into recession. Out of the EU15, only Finland recorded comparable growth rates (6.3%), as already observed in 2008 (8.8%).

[4] See the Country Report on the US for details. In 2009, house prices fell by 12.4% on 2008 in the US (by 6.8% in the EU27), and the decrease on the previous year in mortgage lending was of 9.7% (while the EU27 recorded a positive growth rate of 0.6%).

Germany and Sweden recovered from the very moderate recession of 2008[5]. In 2009 the fastest growing mortgage markets on the previous year in the EU27 were Cyprus (22.2%), Slovenia (16.9%), and Finland (13.1%), all of which recorded more moderate lending growth rates than in 2008 (22.6%, 27.3% and 7.7% respectively). The lowest were Germany (0.1%), Spain (0.7%) and the UK (0.7%).

The countries which recorded negative annual growth rates in outstanding mortgage loans were the three Baltic Countries and Ireland (by 0.3), where both the macroeconomic and the housing recessions were stronger than in 2008. In the UK, the value of outstanding mortgage lending expressed in EUR – due to the exchange rate effect – showed a decrease of 6%, but when expressed in GBP turned to a slightly positive growth rate (0.7%). In Spain outstanding mortgage lending still recorded a positive growth rate in 2009, albeit very modest (0.7%).

Among the NMS, which were by far the fastest growing markets in the EU27 during the "housing boom cycle" between 2002 and 2007, two sub-groups of countries can be identified. On the one hand the three Baltic countries (Estonia, Latvia and Lithuania), experienced the worst recessions among national mortgage markets (by 1.5%, 4% and 0.5% respectively), as a result of the dramatic deterioration both in their macroeconomic environments and in inter-bank funding conditions since the second half of 2008. Mortgage lending developments continued to be positive albeit at much reduced growth rates (following the years when growth rates in these markets outpaced 20%) in another group of countries, notably the Czech Republic, Hungary, Poland, Slovakia, Slovenia and Romania. The most significant slowdown was recorded in Bulgaria (from 38.1% to 7.8%).

As far as EU15 countries are concerned, with the exception of taly and Portugal, where the annual increase in mortgage lending was higher in 2009 than in 2008, a clear slowdown in mortgage activity can be seen, albeit not dramatic, as growth rates in outstanding residential lending in 2009 were lower than in the previous year in all other EU15 countries.

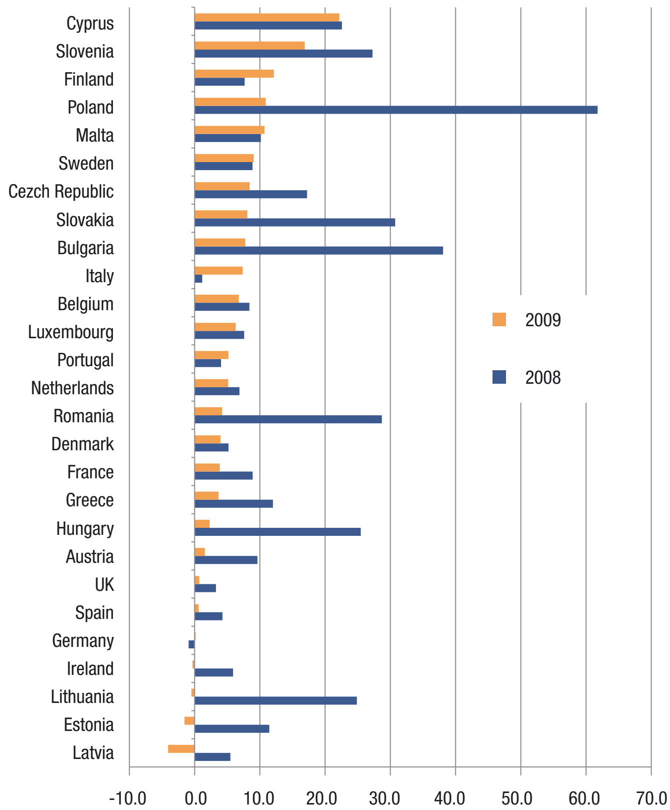
In 2009, new lending has declined significantly throughout the previous year in all the markets surveyed, although these falls have started to stabilise in Q3 and Q4 2009. However, the decrease in new lending was more pronounced in some markets and less in others. In general, tightened lending criteria, growing unemployment rates and funding problems were the main factors behind this performance. Looking at quarterly developments. new lending activity started decreasing significantly across the EU on a year-on-year basis since the peaks in new lending that were reached around the second half of 2007.

The downturn in new lending activity continued throughout 2008 and was exacerbated by the global economic and financial crisis up to Q4 2009, resulting in a sharp negative year-on-year annual growth rate in several EU markets in 2008 and in year-on-year quarterly falls. However, according to the 2009 annual data this correction from the peaks in new lending did not lead to sharper year-on-year falls in 2009 than in the previous year, in some EU markets. On the contrary, in 2009 new lending in Belgium, Denmark, Malta, Portugal and Sweden recovered after the decrease recorded in 2008. Conversely, the recession in new lending continued and resulted in even higher falls in Estonia (-68.9%, which was the most severe decrease in the EU), and Lithuania (-41.9%) , while regarding the EU15 markets new lending growth rates were negative for the second year in a row in Finland, France, Greece, Ireland, Italy, Netherlands, Spain and the UK.

3.2 Interest rates developments

After a ten-year period when the buoyant developments in the EU mortgage markets were based on the highly favourable interest rate environment, in Q1 2006 mortgage interest rates started to increase due to expectations of an increase in the ECB repo rate, to be interpreted as the beginning of a period of a

CHART 6 ▶ Mortgage markets` growth rates[6], 2009 and 2008 (%)



Source: European Mortgage Federation
Note: annual growth rates are calculated on values expressed in national currencies; please note that annual growth rates in mortgage lending for Bulgaria, Denmark, Estonia and Lithuania were the same as if they were calculated in EUR values, since currencies in these countries are pegged to the EUR according to the ERM-2 (Exchange Rate Mechanism).

tightened monetary stance (Chart 7). Therefore, mortgage interest rates in the euro area began to climb up from 2006 to 2008 as a response to the ECB`s tightened monetary action. However, if this is put in a historical context or if it is considered as an adjustment for inflation purposes, mortgage interest rates would be considered as remaining low. As a response to the turning point represented by the burst of the financial crisis and the Lehman Brothers crash in September 2008, coupled with a sharp deterioration of the macroeconomic environment, all Central Banks in the EU quickly reacted by reversing their monetary policy stance, which turned extremely expansionary and led to several consecutive cuts in their respective policy rates between Q4 2008 and Q2 2009 hence resulting in historically low interest rates[7] throughout the EU.

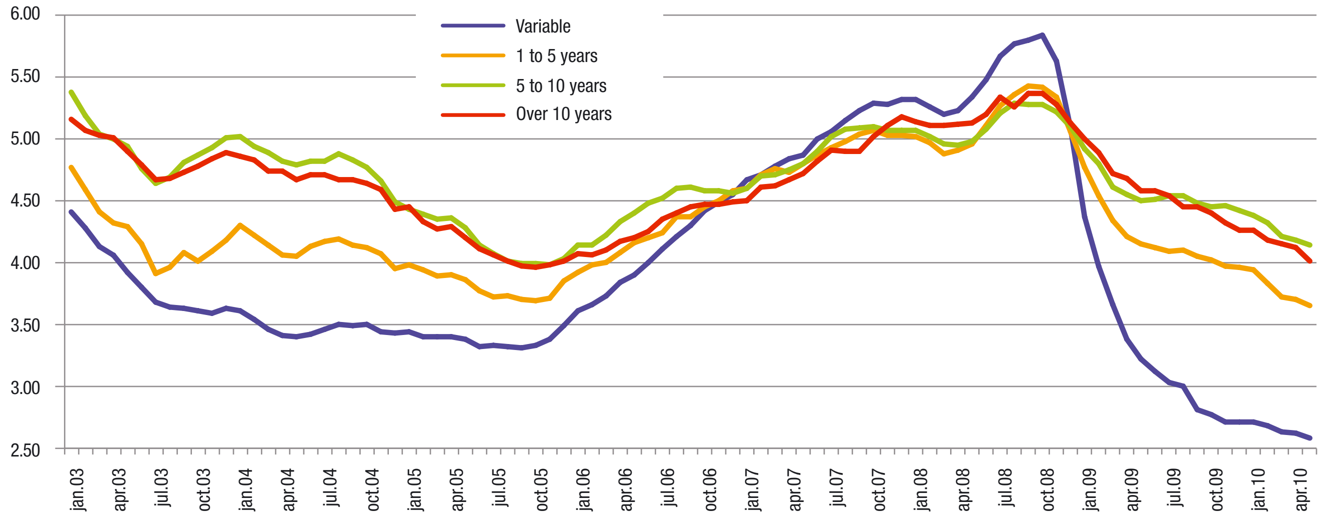
Consistent with the gradual tightening in monetary policies which reached its peak in the first half of 2008 - in connection with the high inflationary pressures linked to record highs in commodity prices, and expectations of further rises – continuous increases in representative mortgage rates were recorded until Q3 2008. The combined effect of these factors led to a shift in borrowers' preferences towards fixed-rate mortgages. Despite these developments, real interest rates remained at

[5] Note that in Sweden the tax deductions on renovation and rebuilding also played an important role. The Government introduced a new tax deduction at the end of 2008 of up to 50% of the costs of housing renovation and rebuilding. The tax deduction has been upped to SEK 50,000 (EUR 5,000) per house owner and year. This tax deduction was one of several measures that were undertaken to stimulate employment in the beginning of the financial crisis, and has been popular and widely used. It is estimated that the lower cost of renovation and rebuilding has helped stimulate mortgage lending as well.See the Country Report on Sweden for details.

[6] We refer to nominal annual growth rates in outstanding residential lending.

[7] The ECB lowered its central rate four consecutive times in the first two quarters of 2009, pushing it from 2.50% in January 2009 down to 1.00% in May 2009, and has left it unchanged since then. Equally, the Bank of England lowered its base rate from 1.50% in January to 0.50% in March. The Bank of Sweden also cut its repo rate in the first three months of 2009, from 2.00% in January to 0.25% in April 2009; however, in July 2010 the repo rate was raised by 25 basis points and went to 0.50%. The Bank of Denmark cut its discount rate from 3.50% in January 2009 to 1.00% in August 2009.

CHART 7 ▶ Mortgage Interest Rates in the euro area, 2003-2010 (%)



Note: Annualised agreed rate (AAR) / Narrowly defined effective rate (NDER)
Source: European Central Bank

low level across the EU in historical terms and this contributed to the softening of the downturn in housing markets that started in the second half of 2008.

ECB monthly aggregate data for the euro area show that in 2009 interest rates decreased across all loan maturity classes (Chart 7). In December 2008, due to the dramatic decrease observed in Q4 2008 as a response to large cuts in policy rates by Central Banks across the EU, interest rates in the euro area across all maturities had already decreased on December of the previous year, thereby reversing an upward trend which was observed in 2006 and 2007. In 2009, this downward trend which started in Q4 2008 continued, consistent with the continued expansionary monetary policies led by Central Banks throughout the year. As a result, the decreases in mortgage rates were more significant than in 2008 for all maturities. Short-term interest rates equally decreased more rapidly than long-term interest rates and variable mortgage rates continued to decrease more quickly than fixed rates across all maturities. From December 2008 to December 2009, mortgage interest rates for variable rate and three common types of fixed rates (initial fixed from 1 to 5 years, from 5 to 10, more than 10 years) decreased by 238, 110, 68 and 87 bps respectively (at end-2008 they had decreased by 23, 3, 3 and 5 bps respectively) hence reaching the respective levels of 2.71%, 3.96%, 4.42% and 4.26%.

Indeed, during 2009 the spreads between the average variable rate, which proved more sensitive to the repeated cuts policy rates, and the three common types of fixed rates in the euro area widened considerably. From December 2008 to December 2009 it reached the highest level since 2006, i.e. 125, 171 and 155 bps respectively.

According to EMF data on representative mortgage interest rates[8] (Table 19), during 2009 mortgage interest rates decreased sharply in most EU countries and reached record lows, mainly as a result of the prolonged expansionary monetary policies of the ECB and other Central Banks. For example, representative mortgage interest rates on new loans went down from 5.89% to 2.52% in Spain, from 4.33% to 2.61% in Ireland, from 6.89% to 3.36% in Slovenia and from 5.07% to 2.45% in Finland. All other countries recorded remarkable decreases in mortgage interest rates on new loans as well, which provided considerable support to mortgage demand during the crisis.

Interestingly, whilst a gradual shift from variable to fixed rates could be observed from the figures on the breakdown of new mortgage loans by type across the EU[9] until Q2 2009, from Q3 2009 the continued record lows in mortgage interest rates – as a result of the prolonged expansionary stance by Central Banks – started to reverse the picture. These new developments in borrowers' preferences resulted in some dramatic shifts from fixed to variable rate mortgages in some national markets, including those where fixed rates were traditionally considered as predominant[10]. In Belgium, the share of new loans with fixed rate went down from 82.7% in Q4 2008 to 32.8% in Q4 2009, and in Italy it fell from 75.4% to 32.5% over the same period. The same phenomenon could be observed, albeit to a lesser extent, in Denmark, where the proportion of fixed rate mortgages decreased from 27% to 15.2%, and in Ireland (from 90.6% to 83.9%). In the rest of EU markets, the share of fixed rate loans remained stable and was not affected by interest rate developments. In countries such as Spain, Portugal and Sweden (where a considerable increase in the share of variable rate loans had been recorded in 2008), variable rates were already prevailing before the dramatic expansionary stance in monetary policy between Q4 2008 and the first half of 2009 started to impact variable mortgage interest rates.

As regards more recent short-term developments in mortgage interest rates in 2010 as reported in the EMF's Quarterly Review Q1 2010[11], the repeated cuts in central interest rates by the ECB between Q4 2008 and Q2 2009 led to a substantial decrease in mortgage interest rates across most mortgage markets. Moreover, the prolonged expansionary stance of the ECB is likely to continue during 2010 in order to sustain the feeble recovery of the EU economy from the severe recession of 2009 and to support the inter-bank lending market. According to Q1 2010 data, as these expansionary monetary policies were passed through to mortgage markets, most EU mortgage markets recorded a significant decrease in mortgage interest rates both on a quarter-on-quarter and on a year-on-year basis which led to new historical lows. The year-on-year decreases resulting from year-end 2009 figures were particularly relevant in Italy (by 354 basis points, bps), Spain (by 337 bps), Portugal (by 327 bps) and Sweden (by 217 bps).

[8] Representative mortgage rates are the most representative mortgage rates offered by lenders on loans granted during the period (end of period rate).

[9] See EMF Quarterly Review on Q4 2009 for details.

[10] For more details, see the *EMF Quarterly Review* issues of 2007.

[11] See *EMF Quarterly Review* on Q1 2010.

The market in reverse mortgages: who uses them and for what reason[12] ?

By Louise Overton and John Doling, Centre on Household Assets and Savings Management (CHASM), College of Social Sciences, University of Birmingham

1. The policy context

The nature and scale of the potential market in reverse mortgages - enabling households to extract equity from their homes - is of course of interest to many financial institutions, but it has also become one dimension of the concern of European governments with the so-called 'pension crisis'. In the context of ageing populations, the challenge of meeting the fiscal burden of funding state pensions, as well as long-term care and health systems, has been responded to over the last decade through a series of discussions, reports and policy initiatives at the level of both the member states and the EU. Commonly, the principal policy solutions have been led by the raising of the age at which state pensions can be accessed and the removal of barriers, such as discrimination against older workers, to extending working lives. But alongside this, there have been periodic discussions about the utilisation of the wealth that retired home owners have tied up in their homes. In 2007, the EU itself commissioned a major review of the reverse mortgage market[13], while its current Green Paper[14] raises the question of whether, in order to promote additional sources of retirement income, the Internal Market could be utilised in order to extend access to reverse mortgages.

The attraction to member state governments is based not only on the scale of the fiscal difficulties associated with ageing, which have been exacerbated by the current economic crises, but also on the scale of the housing equity held by older Europeans, for whom housing is the largest single item in their wealth portfolio, typically exceeding 60% of the total[15]. The phenomenon of asset-rich, cash-poor older people is one that would be recognised in all countries, and the realisation of those assets would appear to provide an obvious solution – for both governments and households. On the face of it, then, the total housing equity – which runs into billions of EUR – owned by older Europeans constitutes a major pot that, if accessed systematically, could make a significant contribution to funding their income needs.

2. The reverse mortgage market

But, currently, how big is the reverse mortgage market, who are the consumers and what are the main variations across the member states? In fact, there is relatively little known about both the actual and potential market. There are a number of reasons for this. Firstly, with the major exception of the UK where the trade body (SHIP) collates statistics, there is no central collection, either within or across member states, of data even about the scale of lending, let alone about the characteristics of the consumers or the use to which the income or capital is put. Quite simply, we do not have accurate data; the Reifner study, for example, used individual country "reporters" to provide informed estimates of market activity.

Secondly, reverse mortgage markets interact – in complex and different ways in each country – with a range of options that households can and do use in order to access their housing equity. Many European households, approaching or during retirement, move home either to a cheaper one, thus realising some of the equity, or to rental accommodation, thus realising all of it. These strategies depend on the alternative housing options that, nationally, regionally and individually, are available to each household, but they clearly require the household to move.

There are, however, also arrangements - some informal, some legal and formal - that allow people to remain in their home until death and allow them to realise its equity. Informal arrangements may operate though the family where, implicitly or explicitly, the house is the future quid pro quo for care and money provided by children to their elderly parents: in that sense the housing equity is used to contribute to the quality of living of the older generation. In some countries the legal framework allows the sale of a property to a buyer who then rents the property back to the seller for life: in France, the well-known Viager system allows the householder to sell the house to a third party, often a member of the family, obtaining a lump sum or annuity and remaining in the home until their death.

Interacting with these mechanisms, some financial institutions have developed products that provide similar benefits. But, here, there is often confusion. Thus while often equated, equity withdrawal and reverse mortgages are fundamentally different in terms of their technical characteristics as well as the risks they present to both provider and consumer. Equity withdrawal is generally aimed at households who already have a housing loan: they increase the size of the loan, providing them with a lump sum but requiring some change to the existing repayments in amount and/or in repayment period. In principle, the owner may be able to withdraw further amounts of equity as existing loans are repaid and house prices increase. In general, reverse mortgages do not require an owner to have an existing loan. In essence, the owner sells the home, or some proportion of it, to a financial institution. They may continue to live in the house, while receiving a monthly payment from the institution, or a lump sum with which they may purchase an annuity. Even here there are different products with some being essentially loans to be repaid when the house is eventually sold while others constitute a sale of the house in which the original occupant is allowed to go on living. In either case, they effectively receive an income for the rest of their life, while the institution is repaid from the proceeds of selling the home. The financial institution is therefore bearing risk with respect to the number of years that the individual will live and on whether the value of the house will be sufficient to cover the sums paid out.

The pattern of supply of reverse mortgage products is highly variegated across member states although from the Reifner report[16] as well as research by the European Central Bank[17] it is possible to identify three broad country groupings. A first group which includes many of the accession states do not have reverse mortgage products, in many cases because they do not have a legal framework that allows them. In a second group of countries, which includes Germany and France, a legal framework exists that allows the marketing of reverse mortgage products but in practice few suppliers engage with the opportunity and few customers come forward to take them up. The third group, have both a legal framework, a range of providers and a not insubstantial body of customers. Within this third group there is considerable variation with a few - Ireland, Spain and the UK – dominating, and indeed with the latter accounting for, in the order of, three-quarters of the entire business.

Even so, when all the reverse mortgage business is aggregated it accounts for less than 1% of the total mortgage business across the Member States.

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[12] This article is based on research projects funded by the Economic and Social Research Council and Age UK, and by the EU under FP7 (SSHT-CT-2008-216865).

[13] See Reifner U, Cierc-Renaud S, Perez-Carrillo E, Tiffe A, and Knobloch M (2009) *Study on Equity Release Schemes in the EU*, Part 1 General Report, Institut fur Finanazdienstleistungen, Hamburg.

[14] European Commission (2010) *Green Paper: towards adequate, sustainable and safe European pension systems*, SEC(2010)830, 7 July, Brussels.

[15] See Doling J. (2010), Housing and demographic change, in Ronald R. and Elsinga M. (eds), Beyond Home Ownership, Routledge, and Overton L (2010) *Housing and Finance in Later life: A study of UK equity release customers*, Age UK: London.

[16] See Reifner U. *Et al., op.cit.*

[17] European Central Bank (2003) *Structural Factors in the EU Housing Markets*, Frankfurt.

So, any expectations held by European policy makers that reverse mortgages might make a contribution to meeting pension needs will need considerable development not only in extending the list of member states with appropriate legal frameworks but also extending the interest of providers and consumers in all member states.

3. Reverse mortgage borrowers: characteristics and motives

Against this background, an important question for the future of reverse mortgage markets concerns what can be said about the characteristics and circumstances of those that currently take out reverse mortgage products and how they use the money from them. In this context, a survey of 553 UK households who had taken reverse mortgages was undertaken in 2009[18]. Whereas they can be considered reasonably representative of the UK market they are not necessarily so of borrowers elsewhere in Europe; the rationale for reporting them in a European context is that the survey constitutes just about the only systematic evidence available.

Age

Unsurprisingly, given the nature of the products available, they were taken by people either approaching or beyond the formal retirement age, ranging from 55 to 91 with a mean age of 72 years. Other evidence from providers suggest that over recent years this average has been falling, for example, one reported that the average age of their customer was 69 in 2007 falling slightly to 68 in 2008 while in 2009 their fastest growing customer group was in the 55-59 age range[19]. There are a number of possible reasons for such a fall. One is that, with the economic crisis and the fall in the value of many investments, older people are finding it increasingly difficult, even earlier on in retirement, to meet all of their income needs from pension income alone. Another is that, increasingly, people have higher expectations for retirement without sufficient income/capital from pensions to service the pre-retirement lifestyle they wish to maintain.

Income

At the time of the survey, a third of respondents reported a gross annual income, excluding income from their equity release plans, of GBP 10,000-GBP 14,999 (see Table 1). Almost a quarter reported that they received just GBP 5,000-GBP 9,999 while 19% of respondents received between GBP 15,000 and GBP 19,999. Single respondents were more likely to be living on less than GBP 10,000 per annum than their couple counterparts (40% compared with 15%) and relatively few respondents, whether single or living as part of a couple, received either less than GBP 5,000 or GBP 20,000 or more.

Comparing the incomes of those in the survey with the wider population of older people it seems that the differences are fairly small. The Pensioners Income Series[20] shows that median net income (before housing costs) in 2008-09 was GBP 19,396 for couples and GBP 10,712 for single pensioners, so that, in income terms, the survey sample sit firmly in the middle of the income distribution: overall, then, the sample households might be considered to be cash-poor, rather than being either very cash-rich or in cash-poverty.

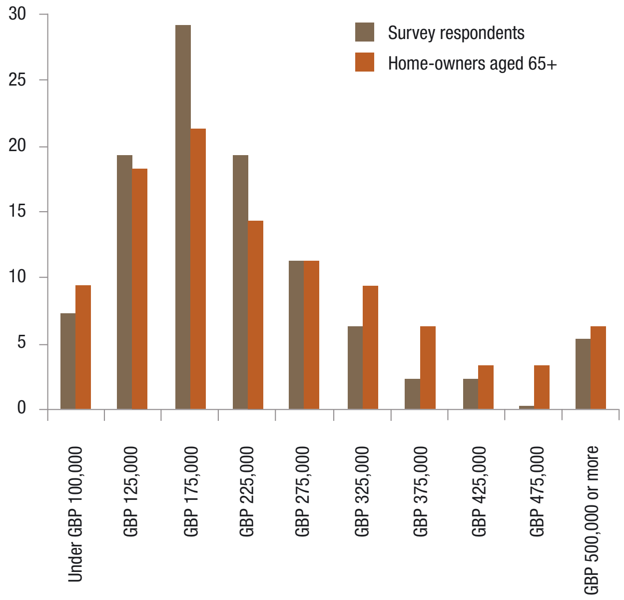
A significant contrast to the pensioner population as a whole is that fewer of the survey households had income from savings and investments. According to the Pensions Policy Institute (2009) for people after state pension age income from savings and investments is the second most common source of income with 72% of pensioners receiving income from these sources. The difference may be explained by the amount that pensioners get from these sources. While nearly three quarters of all pensioners receive income from savings and/or investments, half of them get just GBP 7 a week or less[21]. Given the current low interest rates these sums are likely to be even lower and as such, the majority of respondents

Table 1 ▶ Household income

Household income	All %	Singles %	Couples %
Under GBP 5,000	4	8	1
GBP 5,000-GBP 9,999	23	32	14
GBP 10,000-GBP 14,999	33	35	30
GBP 15,000-GBP 19,999	19	14	24
GBP 20,000-GBP 24,999	12	8	16
GBP 25,000-GBP 29,999	5	2	9
GBP 30,000 or more	4	1	6
Source of income			
Private pension	85	79	91
State pension	99	97	100
Savings and investments Social security benefits	35	33.9	28.1

Source: Overton, L., op.cit.

Figure 1 ▶ Housing wealth of survey respondents and home-owners aged 65 (%)



Source: ibidem

may not have viewed any savings or investments they had as a source of income large enough to be worth mentioning. It is also possible, of course, that the majority of respondents did not have any savings or investments or only small amounts and this would support the view that people consume housing assets if they do not have alternative means of obtaining the money or if they have already used up other, more liquid, assets[22].

The interaction between the social welfare system and reverse mortgages is also an important issue. In the UK, as in many other countries, transfer payments as well as access to free services are sometimes means tested so that an increase in wealth or income (arising from a reverse mortgage or any other mechanism) may result in withdrawal of state support. Similar to the so-called poverty trap, which can act as a deterrent to unemployed people taking jobs, this may effectively reduce the additional income derived from housing equity.

[18] See Overton, L. (2010), *Housing and Finance in Later life: A study of UK equity release customers*, Age UK: London

[19] See Safe Home Income Plans (SHIP) (2009) *Facing the Future: Redefining equity release to meet today's social and economic challenges*, London: SHIP.

[20] Department for Work and Pensions (2010) *The Pensioners' Incomes Series 2008-09*, London: DWP.

[21] See DWP, *op.cit.*

[22] See, among others, Dol, K. (2009) *How do Older Households in the European Union Use Their Housing Asset?* Paper presented at 'Housing Assets and Housing People: An international conference for research, policy and practice. September 2009, Glasgow UK; and Levin, L. (1998) 'Are assets fungible? Testing the behavioural theory of life savings' *Journal of Economic Behaviour and Organisation*, Vol. 36, pp. 59-83.

Income and wealth combined

Using an income of GBP 15,000 as the dividing line between cash-rich and cash-poor, and GBP 200,000 as the dividing line between asset-rich and asset-poor, the house price and income distributions can be put together. Table 2 shows that income and house values are positively correlated, so that about two-thirds are relatively asset-rich, cash-rich, or asset-poor, cash-poor. Bearing in mind that the housing wealthiest are underrepresented, this locates the current reverse mortgage market in the UK as not being focused exclusively on the asset-rich, cash-poor who account for less than a quarter of the total, but rather being spread across income and wealth classes.

Uses of money

One insight into people's motives for taking out a reverse mortgage product is provided by the use to which they put the additional income or capital. As Table 3 illustrates, 79% of the sample said that they had used the money from their reverse mortgages for house maintenance or improvements. This is consistent with other research carried out by UK providers which has shown that maintaining or improving the home features in the top four uses for released equity. Thus although owning a home in retirement can reduce living costs through rent free living it might also be a financial burden, particularly for lower-income home-owners. It can also be said, however, that in these circumstances reverse mortgages involve the extraction of equity from a capital asset to re-invest in that same capital asset.

Whereas almost a fifth of the sample indicated that the money was being used to provide extra income in order to pay for everyday living expenses/regular bills, over a third were using it to repay debts. The increasing use of equity to service debt has been reported by a number of providers[23]. Furthermore, one provider has reported an almost 40% increase in the number of those aged 65 and over who used reverse mortgages to relieve the burden of mortgage debt in 2008 compared to 2007[24]. This trend may reflect changing lifestyles and attitudes to consumption, ease of access to credit (with the exception of the last year or so) and/or divorce and family break up, causing more people to retire with outstanding debt, mortgage or otherwise (SHIP, 2009). It may also reflect the failure of an investment vehicle, such as an endowment policy, to meet the total repayment balance of a mortgage[25].

It is sometimes argued that those who take out equity release plans and thereby reduce the value of their estate will demonstrate less support for inheritance than those in the wider population, and indeed the bequest motive is correspondingly seen as a limit to the size of the reverse mortgage market. Using equity to help out or treat family members, however, was a relatively common use of funds, with about a quarter of the sample indicating that they had used some or all of their equity in this way. This was often for the purpose of helping children or grandchildren to buy houses/manage mortgages, meet university costs and to clear debts. Respondents indicated that they saw more benefit in passing on some of their wealth when they felt their family needed it most rather than waiting until they died. It was also quite common for respondents to simply say that they wanted to see their children or grandchildren enjoy their inheritance.

About a quarter of the sample had invested or saved some/all of the money from their reverse mortgages. This is more than expected because in the UK context invested equity is taxable and depending on the investment chosen, might also expose individuals to investment risk. But what this might indicate is that people decided to withdraw equity from their homes when house prices were high in order to provide a buffer against future shortfalls in income and/or to guard against unexpected one off payments.

Finally, funding holidays was at least one of the ways in which 36% of the sample was using their equity. Some of these respondents may be able to take one or two modest holidays each year having released some of their housing equity while others may be using it solely for this purpose and to enjoy more regular, expensive holidays. It would seem, however, that equity release is being used for lifestyle purposes more so now than over a decade ago[26].

Table 2 ▶ Income and wealth combinations (% of households)

	Assets		
Income	Asset poor	Asset rich	**Total**
Cash poor	38	22	59
Cash rich	14	26	41
	52	48	100

Source: ibidem

Table 3 ▶ Ways in which respondents were making use of their housing equity

Use of equity	%
House maintenance/repairs	46
Holidays	36
Clear debts	35
House/garden improvements	33
Help out or treat family	26
Investment and saving	24
Everyday living expenses/regular bills	19
Leisure activities	17
Other	12
Reduce inheritance tax liability	9
Pay for health/care needs	8
Early retirement	1

Source: ibidem

Different purposes for different people

This range of uses to which the reverse mortgage income or capital is put appears to be part of a general trend toward segmentation of the market. Some years ago in the UK equity release plans were more commonly used by lower income home-owners for managing day to day living costs. Combining the socio-economic characterises with uses three types or clusters of consumer can be identified:

Cluster I

Among this group, most were already 'doing alright' or 'living comfortably' before entering into their plans and the majority disagreed that they couldn't do without the money: for them, equity release was not considered a last resort and it was not taken out in order to have a more enjoyable retirement. Indeed the single, most frequently identified use of their reverse mortgage was not boosting income but enabling the transfer of money to other family members, frequently children. Their financial situation could help to explain this. Figure 2 indicates that the members of this group were financially better off than those in other groups. Not only were they more likely to have higher incomes and more valuable homes, but, as figure 3 indicates, they were also more likely to have a private pension in addition to getting income from savings and investments; in short they were more likely to be asset-rich, cash-rich.

Cluster II

The members of this group were generally not 'finding it very difficult' to manage before taking out an equity release plan but neither were they 'living comfortably'. Equity release was not an absolute last resort but a decision to use their most valuable asset to improve their standard of living. The additional

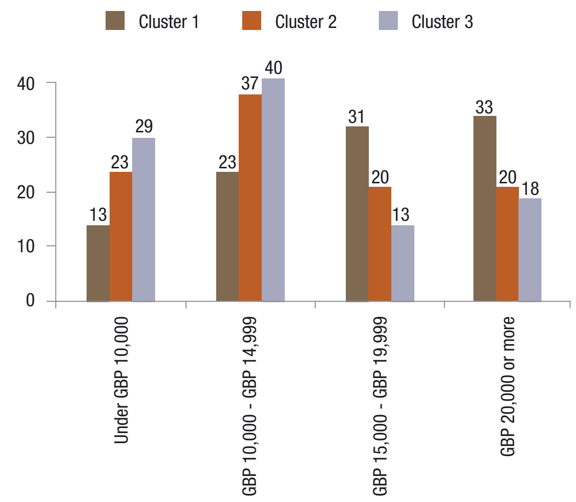
[23] See SHIP, *op.cit.*

[24] `Key Retirement Solutions` (April 2009)

[25] *Supra.*

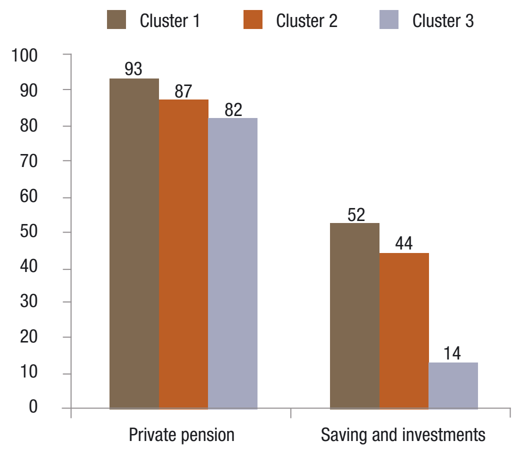
[26] See SHIP, *op.cit.*

Figure 2 ▶ Clusters by income (%)



Source: ibidem

Figure 3 ▶ Clusters by sources of income (%)



Source: ibidem

capital appears to enable them to have a more enjoyable retirement and to maintain the lifestyle they had when they were working by allowing a wide range of non-housing consumption.

Cluster III

The majority of respondents in cluster 3 were 'finding it difficult' to manage or were only 'just about getting by' before they took out their equity release plans suggesting that they were desperate and had no other option. 80% agreed it was a last resort and, as figures 2 and 3 indicate, in comparison with those in the other clusters, they tended to have lower incomes, lower levels of private pension wealth and they were least likely to have income from savings or investments. For the respondents in this cluster, equity release was not used to make the most of retirement; rather, it was used to reduce frinancial difficulty often caused by problem debt.

4. What are the implications of these findings?

It is first important to reiterate that the findings from this research cannot necessarily be generalised to other countries. But in the absence of alternative data we are left with little choice but to use the UK experience as a way of understanding the circumstances and motives of those who take out reverse mortgages in an attempt to inform debates about the future development of these markets elsewhere.

The findings show that in the UK reverse mortgages are used in different ways by different groups with some using them for lifestyle purposes, some to pass on wealth to children while others are having to use them to increase their financial security and relieve financial difficulty. In itself, knowledge of this diversity provides an important input in product marketing, and there is no reason to believe that market segmentation would not also be significant in other national settings.

An important conclusion from the evidence of the uses made of housing equity, however, is that the factors influencing individuals and households are different from the factors driving government interest. Indeed releasing housing equity for debt clearance, conspicuous consumption or early bequests will not make major inroads into easing the fiscal pressures on pension and health systems in ageing societies. So, if governments are to significantly ease such pressures without pushing cash poor home-owners into poverty they would not only need to find a way in which more households draw on housing equity but they might also need to employ some sort of means/wealth test which targets cuts as those who are cash-rich, asset-rich. While such targeting might achieve reductions in state expenditures through substitution with private wealth, it could in turn create big challenges not least to social solidarity.

There are also lessons here for financial institutions across Europe. While, as we have pointed out, the total size of the existing market is small relative to the general mortgage market it is extremely uneven from country to country. If everywhere the market was as large as it currently is in the UK, reverse mortgages would take on a very different significance.

But, reaching such a situation also sets up a range of challenges for all the stakeholders – financial institutions, governments and households. One of the most important challenges stems from the fact that the start up costs involved in taking out a reverse mortgage are relatively high so that providers often impose minimum house values. Furthermore, some of the more costly features of reverse mortgage products are the provision of advice, but while lower-income groups are least likely to have access to good quality independent financial advice, they are most likely to be in need of this. A second challenge arises from the risk for providers, particularly in the current climate, in the future of house prices. If this risk is offset by reserves this will be reflected back in the pricing of the equity loan. One option would be for government support that would reduce the cost to individuals who might benefit most but who are least able to afford equity release plans. So that if governments are keen to increase the numbers of older home-owners who use the equity tied up in their homes their involvement in the market might need to go beyond extending access via a legal framework. Government support in the form of subsidies would, however, take support away from those who are not necessarily the poorest pensioners, often those without housing assets at all. Extending the market for reverse mortgages, then, would probably require considerable and often difficult cooperation between governments, civil societies and institutions.

The Baltic countries: an eyewitness report from a financial hurricane

By Karlis Danevics, SEB Bank and Morten Hansen, Stockholm School of Economics in Riga

1. Introduction: "This time it's different"

The three Baltic countries (Estonia, Latvia and Lithuania) are among the smallest and the youngest members of the EU. After regaining independence in 1991 all these three countries were adamant to re-orient politically and economically to Western Europe. Within the first 15 years after getting rid of the Soviet rule the Baltics were generally seen as star pupils of economic reform and transformation and were dubbed 'The Baltic Tigers'. The Washington consensus was painfully but swiftly adopted as the only viable alternative to the Soviet ideology and the results soon followed. After seeing their economies falling from a cliff in the early 1990s (Estonia contracted some 33%, Latvia 50% and Lithuania 58% in 1991-93) conditions started to improve rapidly.

The Baltic countries started out notably poorer than e.g. Romania and Bulgaria but due to successful reforms they were soon ahead of such peers. Of course there were some short blips (a banking crisis in 1995 hurt Latvia in particular, and the massive Russian Ruble devaluation of 1998 was a setback albeit a short one) but western re-orientation continued with EU and NATO membership in 2004 and the quality of life improved significantly since 2003, as the Baltic countries became the fastest growing economies in the EU. Significant amounts of foreign direct investment (FDI) poured into all three countries based on an assumption that convergence to EU levels of income was - if not imminent then at least - inevitable and rather swift. As we will show later, this assumption perhaps proved to be the root cause of the ensuing spectacular crash.

The urge to modernise, to set out reforms and to catch up with the rest of the EU was very strong in the Baltics and who can blame them? After being under Soviet rule for five decades it seemed to be a God-given right for the Baltic Tigers. Foreign investors took a simplistic view on the countries as well – after all the Baltic countries were among the richest in the inter-war period and there was also a widespread illusion of superior Soviet-quality education. Thus it seemed natural to experience a continuous (and rapid) convergence to the EU standards in all aspects of life, including housing and finance. There is a say that the four most expensive words in the English history are "This time it's different". Most of the world (including the inexperienced Baltic countries) made the same costly mistake assuming that this was the sort of boom that might not end up in tears. This time it should really be different.

2. Mortgage market and housing market in the Soviet times

Soviet housing contains quite a few idiosyncrasies that are poorly understood in the Western world but which provide insight into the development of the housing market in the Baltic countries after independence. An example from one of the most popular books ever written by a Soviet (Russian) writer nicely captures this.

In Mikhail Bulgakov's 'Master and Margarita' the Devil himself comes to Moscow in the early 1930s just to notice that people are the same as many centuries before in most aspects although they 'have been demoralised by the provision of living space'. What the author meant with this passage is that they are spoilt by a constant lack of living space and the fact that flats were in many cases occupied by more than one family that had to share one kitchen, one bathroom and in most cases also just one toilet. In fact, in many cases one full family occupied only one or two rooms of a much larger flat (this concept is known as communal flats).

This obviously created a latent urge to improve living conditions as soon as possible. At the end of the 1980s the Soviet underinvestment in housing had created a situation where the living space per capita in the Baltic countries was below 20 square meters, less than half than in the West. Thus, part of the overinvestment into housing is explained by underinvestment in the Soviet times with supply finally unleashed to start catching up.

3. Mortgage market and housing market in the early 1990s

During the early 1990s strong emigration (many ethnic Russians went back to Russia, especially military personnel with their families) and a massive drop in fertility there was a steady increase in living space per capita of close to 20%. To most inhabitants, however, living conditions in communal flats or in the Soviet blocks remained dreadful and rapid growth of GDP was still not creating sufficient grounds for notable investments into housing.

4. 'The golden age'… or so we thought…

One may discuss exactly when financial integration started but the first decade of the new millennium certainly saw the emergence of the banking sector also for 'normal' people and with EU accession the last remains of doubt concerning the future of the Baltic states were eradicated – the countries were firmly in the Western hemisphere politically; now it was time to get there also economically.

What had long been a distant dream, one's own car or one's own flat, came within reach due to the very rapid development of the banking system and this development was fueled by fixed exchange rates and a belief in imminent adoption of the EUR ("kroon/lats/litas are equivalent to euros") – borrowing in EUR at very low interest rates due to low interest rates in the euro area and due to strong – and increasingly stronger – competition in the banking market. The credit boom was also fueled by the vast profit opportunities in the banking sector leading to possibly reckless lending to gain or maintain market shares. And as mentioned the boom was strongly exacerbated by the belief, both from lenders and from borrowers, that income convergence would be rapid and was 'inevitable', leading banks to lend too much and borrowers to borrow too much, both sides believing in continuing sharp wage increases. The latter together with increasing overheating problems after 2004 led to sharply rising inflation, which of course reinforced the attractiveness of loans on the side of borrowers given that real interest rates were sharply negative.

One has to note that the Baltic countries (and the rest of Eastern Europe) had no private debt at all after regaining their independence. This created a nice platform for huge demand for mortgage loans while inexperienced governments were not able (or perhaps not willing either) to curb growth.

At the peak of the cycle (early 2007 in Latvia, a bit earlier in Estonia, a bit later in Lithuania) apartment prices e.g. in Riga reached EUR 7,000 per square meters or even more in some of the up-market apartments in the old town (a level comparable with Stockholm, Copenhagen, Oslo etc.). For very low-quality Soviet-type blocks in the suburbs the market peaked at EUR 1,800 per square metre. The prices then in Riga tumbled by as much as 70-80% depending on the segment while reaching its low-point at the end of Q3 2009. This is definitely one of the largest (arguably, the largest) property crashes that the world has ever seen. To be fair, price declines in the Lithuanian and Estonian capitals were more moderate than in Riga, but still significant. Prices have decreased by close to 50% from the peak in both Vilnius and Tallinn.

Latvia proved to be the weakest link in the Baltic chain having to bail out its second largest bank (that was locally owned) as well as turning to the IMF and the EU in order to ask for a bail-out.

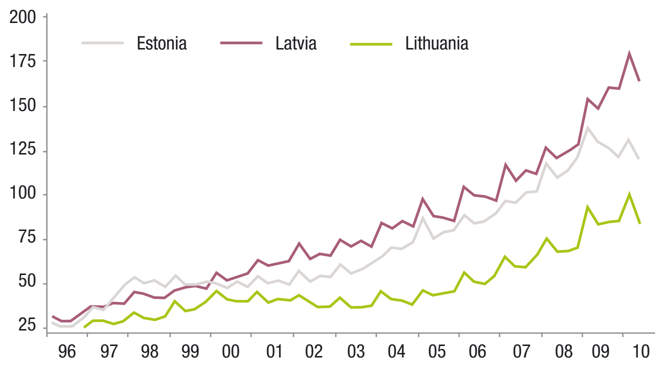
5. What a difference a year makes

After shocking the world with this spectacular bust, the situation in the Baltic countries is slowly returning to normality. In mid-2009 there were widespread expectations that the Baltic countries (and Latvia in particular) would suffer from devaluation (Paul Krugman famously stated that Latvia might be the next Argentina). Social riots were also anticipated together with a toxic mix of governments` populism and huge amounts of non-performing loans. Most of the common measures were indeed pointing towards that direction – huge current account deficits, one of the largest crashes in the property market that the world has ever seen, overwhelming amounts of foreign-denominated debt, weak governments and one of the largest collapses in real GDP that the modern world has witnessed.

As more than a year has passed, it now seems safe to say that the doomsayers have proved wrong. Although going through painful adjustments, high unemployment rates and drastic austerity measures, there have been no or very little social unrest, no devaluation (to the surprise of many) and governments have proved rather pragmatic. The ability to enforce notable cuts in wages (some sectors in Latvia have experienced wage cuts of 50% or more) in combination with a strong willingness to pay their debt service has led to a situation where non-performing loans seem to have peaked at a much lower level than expected previously (i.e. marginally exceeding 15% in Latvia's extreme case while being comfortably below 10% in the Estonian case).

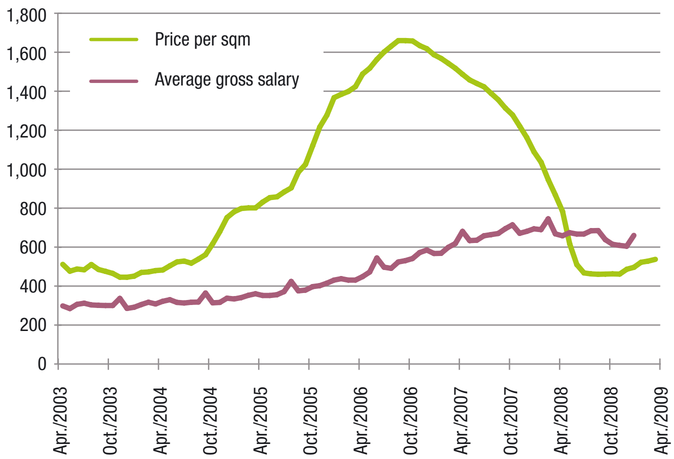
Unemployment is now decreasing, GDP has mostly stopped falling and many observers claim that the Baltics will be a positive surprise, similar to Sweden when it emerged from the crisis in the early 1990s, i.e. much stronger than before. Most economists also seem to agree that some sort of convergence would soon resume. Average EU living standards still seem generations away (if at all reachable) but in comparison with other EU economies the Baltics seem to be much more flexible, more hardworking and thus better-positioned to see resumed growth.

Figure 1 ▶ External debt to GDP ratio, Estonia, Latvia and Lithuania (1992-2007)



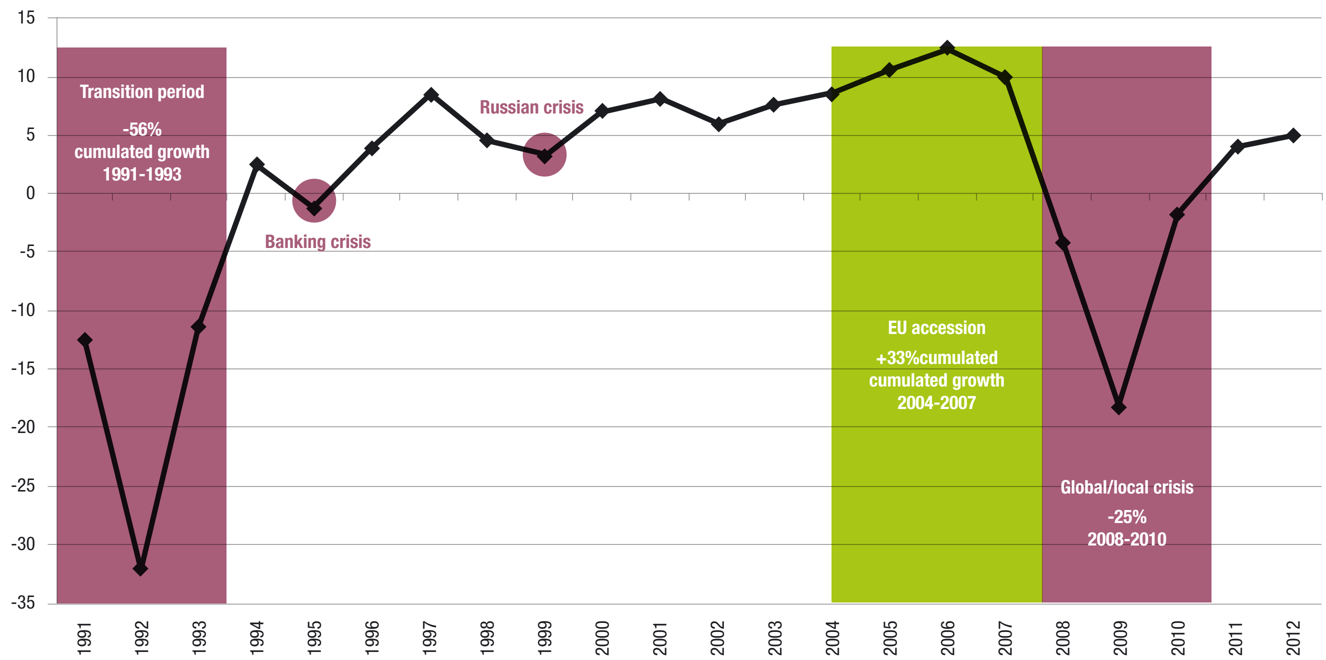
Source: authors`calculations based on Reuters data

Figure 2 ▶ Prices of soviet-build block apartments in Riga versus average gross salary, EUR



Source: Statistics Latvia

Figure 3 ▶ Real year-on-year GDP growth (%), 1991-2012



Source: CSB, SEB Bank

Please note that figures for 2010 and beyond are forecasts

6. Future prospects for the mortgage market in Baltics

Even though the worst has been avoided, a lot remains to be done to safeguard the recovery. Governments still run budgets with rather notable deficits (here Estonia is the exception), the willingness to reform the economies and improve competitiveness must return at some point, higher education is still of rather poor quality; corruption is still widespread while relatively low wages seem to provide the most visible competitive advantage. In order to see a sustainable resumption of convergence, all of the above-mentioned issues must be pursued. As regards the housing market, the most important question will not only be the consumer sentiment but also housing affordability (which is mostly hindered by high unemployment rates and a rather low wage level).

Nevertheless, most affordability indicators seem to indicate that investment in housing might be both in demand as well as affordable this time around, although it should be mentioned that the last spectacular crash has made households more risk-averse while, fortunately, consumers` understanding of the dark side of debt has improved considerably.

Developments in the Japanese mortgage and housing markets

By Masahiro Kobayashi, Senior Economist, Japan Housing Finance Agency[27]

1. 2009 in retrospect

The Japanese economy was not immune to the "Great Recession" caused by the financial crisis after the collapse of Lehman Brothers. In 2009, real GDP contracted by 5.2%, which is the worst recession since the World War II. This sharp contraction was initially triggered by the plunge in the export to the US, but soon extended to final consumption and fixed investment. In Q1 2009, GDP contracted at an annualized rate of 16.4%. Nikkei 225, the benchmark stock price in Japan, plummeted to close to 7,000 points in March 2009, the lowest level since 1983.

The housing market was adversely affected as well. The number of housing starts in 2009 amounted to 788,410 units, the lowest figure since 1965. This figure may not look as bad compared to other OECD countries. For example, housing starts in the US were 554,100 in 2009. Considering the population size (USA: 308 million inhabitants vs Japan: 127 million), Japan performed better than the US. But the residential investment to GDP ratio also recorded its historical low (2.5%). Mortgage origination volume was JPY 19.2 trillion (EUR 175 billion)[28], slightly down from the 2008, and outstanding balance remained just below JPY 180 trillion (EUR 1.64 trillion).

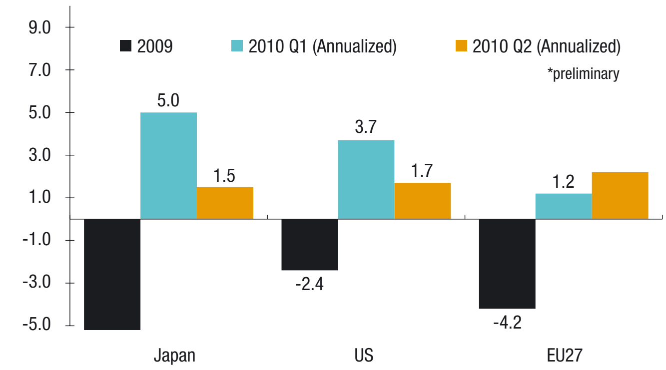
According to the provisional data released in June 2010 by the Economic and Social Research Institute (ESRI), Cabinet Office, Government of Japan (GOJ), a trough in the economic cycle was recorded in the Japanese economy in March 2009. Although Real GDP growth rate tumbled to slightly negative in Q3 2009, the Japanese economy has been expanding for 3 consecutive quarters, mainly driven by the export to Asian counties. Japan recorded an annualised 5% growth for the Q1 2010, which was higher than in the US and the EU27. However, sustainability of this momentum is questionable considering the constraints to fiscal stimulus. Japanese public debt per GDP is higher than the Greek and the Italian.

2. How did JHF perform?

Since its reorganisation from the former Government Housing Loan Corporation (GHLC) in 2007, the Japan Housing Finance Agency (JHF) has been providing liquidity to the Japanese mortgage market through its secondary market operations. The GHLC, established in 1950, originated fixed rate mortgages through borrowing from the Treasury and subsidy from the Government of Japan. The terms of the GHLC loan were so attractive that it was considered economically not feasible to prepay it until the 1980s. However, after the collapse of the economic bubble in the early 1990s, the Bank of Japan (BOJ) took accommodative monetary policy and market interest rates declined significantly. There was a wave of prepayment on the outstanding GHLC loans after 1995 and the subsidy cost for GHLC remained around JPY 400 billion (EUR 3.6 billion) for the rest of the 20th century.

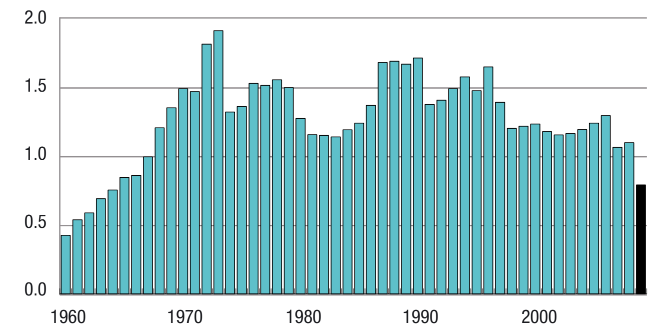
Banking industries faced bad loan problems over the same period. While assisted by BOJ through a low interest rate environment, they requested the GOJ to provide more lending opportunity in mortgage business because they were competing with the GHLC in the primary (origination) market. The GOJ decided to end up with mortgage origination via the GHLC, but there still was a need to provide fixed-rate mortgages which were very popular among borrowers. Therefore, the GOJ decided to transform the GHLC into an entity like Fannie Mae[29] in order to perform secondary market operations through securitisation. Under this business model, the JHF, instead of competing with

Figure 1 ▶ Real GDP Growth Rate (%)



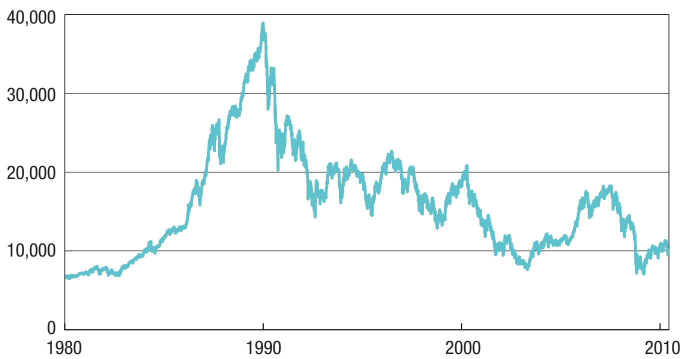
Source: GOJ, US Commerce Dept, Eurostat

Figure 2 ▶ Housing starts in Japan (million units)



Source: GOJ

Figure 3 ▶ Nikkei index



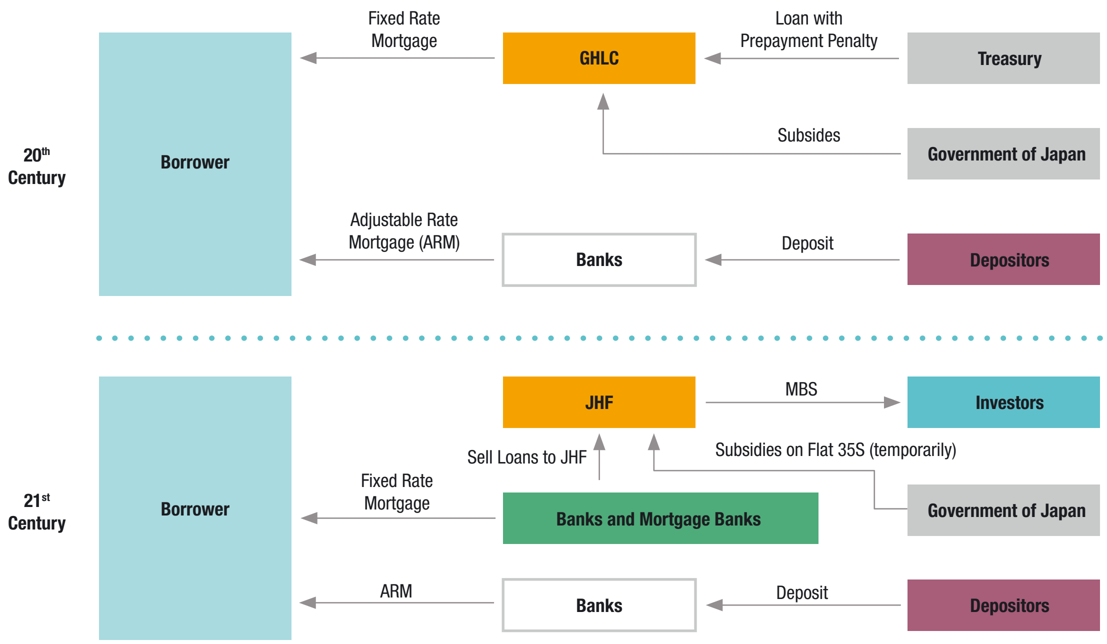
Source: Bloomberg

[27] Views and opinions expressed in this paper are those of the author, and do not represent those of the JHF.

[28] In this article, an exchange rate of JPY/EUR=110 is applied.

[29] Although business model of JHF is similar to Fannie Mae, JHF is 100% owned by the GOJ, not a shareholder-owned enterprise. There is no conflict of interests. The JHF does not retain investment portfolio either.

Figure 4 ▶ Landscape of the Japanese mortgage market



Source: JHF

banks in the origination market, assists them to originate fixed- rate mortgages by purchasing those loans while transferring prepayment risk to investors by issuing MBS.

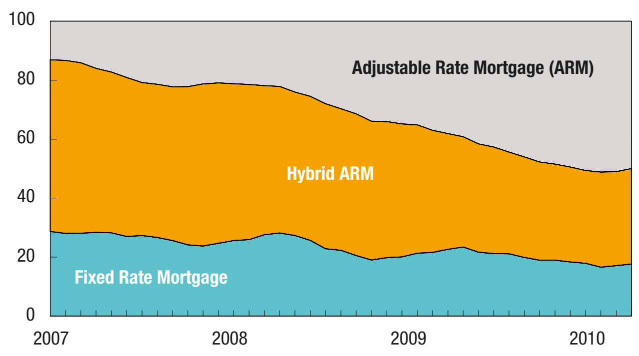
The products which the JHF purchase from private sector lenders were limited to fixed-rate mortgages, because banks had no difficulty to provide adjustable-rate mortgage (ARM) and there was a consensus that the business line of the JHF should be limited to what the private sector could not provide.

Therefore, the performance of JHF depends on the popularity of fixed-rate mortgages, which fluctuate with market conditions. If the borrowers anticipate interest rates to rise, they would lock in the borrowing cost with fixed-rate mortgages. However, the Japanese economy has been under a strong deflationary pressure, and many borrowers are so accustomed to this low interest rate environment that they have lost the memory of 1980s and before. So far, the market share of the JHF has never reached that of the GHLC, partly because the JHF did not receive subsidies (except for legacy assets inherited from GHLC).

Notwithstanding, a remarkable initiative was launched by the GOJ in December 2009. In an effort to address global warming, the GOJ decided to subsidise houses which reduce the emission of carbon dioxides. Such subsidies shall be channeled through Flat 35S, a mortgage product of the JHF. If a borrower purchases a house which meets a certain construction criteria and applies for a loan to be securitised by the JHF, the borrower is endowed with 1% reduction of the mortgage interest rate for the initial 10 years. This preferential treatment became available for loans with disbursement starting from February 15, 2010, to be continued until the end of 2010.

Application for Flat 35S has been skyrocketing since the start of the program at an annual growth rate of 60-70%. Under the current market conditions, the average interest rate[30] for Flat 35S is 1.7% for the initial 10 year and 2.7% for the remaining 25 years. With such an enhanced affordability, we expect the construction of energy-efficient houses to increase so that those houses become de facto standard on the market in the end. Injection of subsidy into JHF is considered to be a temporary measure.

Figure 5 ▶ Share of mortgage product type (6-month moving average), %



Source: JHF

Figure 6 ▶ 10-year JGB (Japanese Government Bonds) yield, %

Source: Thomson Reuters

[30] Banks can set different servicing fee and hence, mortgage interest rate for Flat 35 varies among originators.

3. Resilience of Japanese banking system

The Japanese financial market did not suffer from the same harsh consequences as the US or the EU after the Lehman collapse, partly because Japanese financial institutions did not hold much of "toxic" assets backed by US subprime mortgages. After the banking crisis in the late 1990s,, Japanese banks have become more conservative in their portfolio composition and increased their holdings of Japanese Government Bond (JGB). This risk-averting attitude proved to be the cause of the resilience of Japanese banking system in the turbulence. However, another side of the coin is that banks in Japan are not taking risks and it is pointed out that the ability of the banks to allocate funds to new industries which is a key-factor for future economic growth is deteriorating.

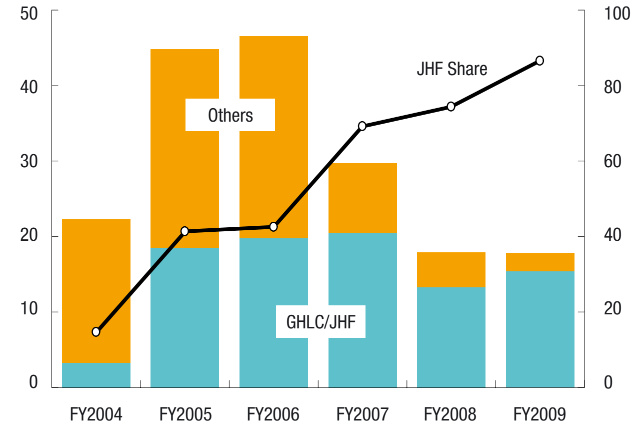
There is abundant liquidity in the banking sector in Japan thanks to the loyal depositors as well. As of April 2005, the coverage of deposit insurance was limited up to JPY 10 million for savings deposit, but non-interest bearing checking deposit was excluded from this ceiling. This treatment gave confidence among depositors in the banking system and during this financial crisis, there was no bank-run in Japan.

Nonetheless, the securitisation market, the whole sale side, was not immune to the global turmoil. Issuance of MBS has been declining since 2007. The JHF has been constantly issuing MBS at around JPY 2 trillion annually, but private label securities market has been undergoing a severe contraction. As a result, the share of JHF in Japanese MBS market is reaching 90%.

The JHF MBS is considered as the most standardized and transparent securitisation products in Japan, like the Agency MBS in the US. After the Lehman collapse, however, the spread of JHF MBS over 10-year JGB widened dramatically and peaked at 105 basis points (bps) in January 2009. Since then, the spread narrowed continuously as the market anew became less risk-averted.

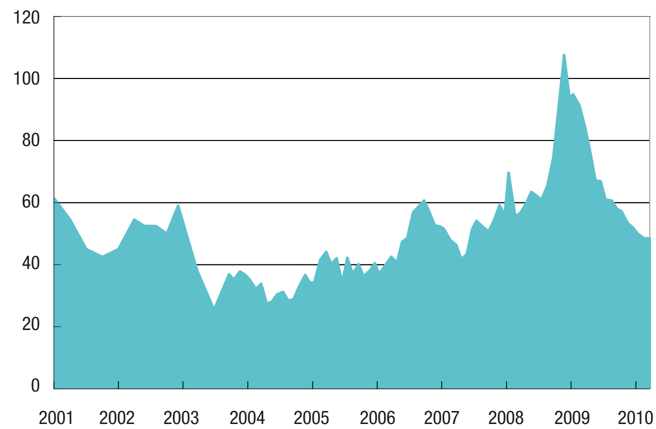
As of June 2010, the income tax exemption on Japanese bonds to non-resident investors was expanded to JHF MBS. Interest and profits from the redemption of corporate bonds in book-entry form issued on or before March 31, 2013, were exempted from tax, in addition to JGBs and local government bonds. This rule applies to interests on corporate bonds in book-entry form whose coupon calculation period starts on or after June the 1st, 2010. This treatment is expected to make JHF MBS more attractive for foreign investors. Another encouraging development for JHF MBS (and JHF straight bonds with general security) is that it became eligible for settlement at Euroclear via Japan Securities Depository Center, Inc.

Figure 7 ▶ MBS issuance volume (EUR billion, left scale), and JHF share (%, right scale)



Source: JASDA

Figure 8 ▶ Spread of JHF MBS over 10-year JGB (basis points)



Source: JHF, Bloomberg

4. Covered bond legislation

In 2008, the Shinsei Bank announced it would issue the first covered bond in Japan, but it could not launch it because of pricing. Investors requested higher spread than was expected. In Asia, the first covered bond was issued in South Korea in 2009, followed by Mongolia. Under a severe stress on the ABS market in Japan, some non-depository financial firms looked for alternative funding schemes. The Ministry of Economy, Trade and Industry (METI), assembled an advisory board to study the possible developments of covered bond market in Japan. In March 2010, this advisory board issued its final report. Its recommendations indicate that a covered bond legislation should be enacted to address investor confidence. However, private sector initiative to issue structured covered bond should not be precluded. There are many impediments to enactment as well, including, among others, how to address the conflict with existing bankruptcy code. The opinions and views expressed in the report are those of the advisory board and do not constitute any official ones of the METI nor the Government of Japan.

It is not likely that covered bond legislation be enacted soon in Japan. In the US, however, several Congressmen are advocating covered bond legislation. If there is any progress in the US, it might accelerate the discussion in Japan as well.

It is to be noted that the JHF MBS has many similarities with covered bond. The JHF retains mortgages purchased from lenders on its portfolio and trust those assets as collateral. Legally speaking, collateralised assets are transferred to trust with third party perfection, but accounting treatment is on-balance because the JHF is required by GOJ to be flexible on modification of loan terms for troubled borrowers. The JHF is re-assigned as trustee and under its authority, it is able to modify the terms and conditions of the loan. Once the JHF becomes insolvent or is privatised, the collateralised assets are segregated from the JHF and the cash flow from those assets is allocated to investors. In such an event, the JHF MBS turns into beneficiary certificate in trust. In that sense, the JHF MBS is issued backed by the assets and collateralised but retained on its balance sheet, it is then closer to covered bond than to pure securitisation.

With regard to modification programs, the Financial Service Agency (FSA) of Japan launched its "Comprehensive Measures to Facilitate Financing for Small and Medium-Sized Enterprises (SMEs)" in December 2009. This measure includes articles pertaining to mortgages as well. Banks are encouraged, not compelled, to modify terms of loan of the borrowers who face payment difficulties, like the HAMP in the US.

5. Is deflation averted?

Since the late 1990s, one of the challenges to the Japanese economy has been the deflation spiral. GDP deflator has been negative since 1999, 11 consecutive years. In Q4 2009, it recorded a negative value of 2.8%, largest decline since the end of WWII.

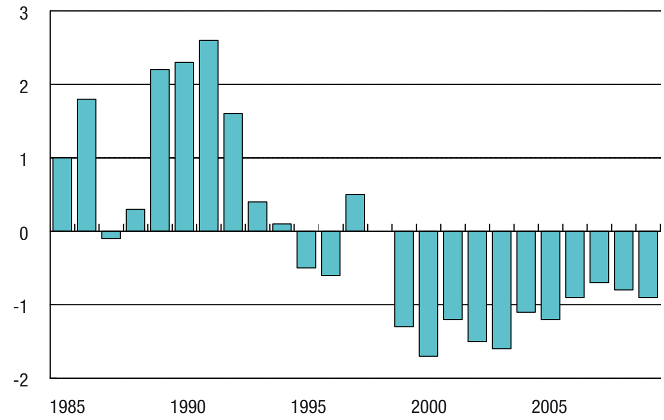
If relative purchasing power parity is assumed, the currency of weaker inflation tends to appreciate. In fact, JPY continued to appreciate against USD, which discouraged export-driven recovery of the Japanese economy. This represents a sharp contrast to the Swedish case. Both Japan and Sweden suffered from the banking crisis after the burst of their bubbles in the early 1990s and it is pointed out that the Japanese policy reaction was "too little, too late" compared to the decisive measures taken in Sweden to restructure the banking sector. However, there is another important element to highlight. The SEK significantly depreciated against the USD from 1992 to 1993 while the Japanese JPY appreciated even in an ailing economy. This deprived Japan of an opportunity to expand export, and this negatively impacted the economy in general, which increased the number of non-performing loans in the banking sector. This adverse feedback loop was not as drastic as the recent one. But the prescription for the previous banking crisis was not as easy as to just say "remove bad assets from the balance sheet of the bank and inject capital if needed".

The real problem was that there was an extremely weak demand for bank lending from both the corporate and the household sector. If the banking crisis was just a matter of lack of intermediation, quantitative easing by BOJ to expand its reserve by JPY 35 trillion (EUR 318 billion) was enough to boost the economy. What was observed, however, was a mere decline of the currency multiplier. Money supply did not increase and deflation could not be prevented. It is now widely believed that quantitative easing was effective to contain the banking crisis but was not effective to revive the real economy.

The Federal Reserve (FED) and the ECB dramatically reversed their monetary policies immediately after the Lehman collapse. BOJ did not follow. Coupled with the "flight to quality", JPY appreciated again. This time, the expansion of the balance sheet of the FED and the ECB is far greater than that of BOJ in 2003. It is to be examined, however, whether the appreciation of JPY is caused by the difference in the expansion of monetary base or the differences in composition of the balance sheets of the central banks. Anyway, there is a persistent fear that the continuous appreciation of JPY would weigh on the Japanese economy.

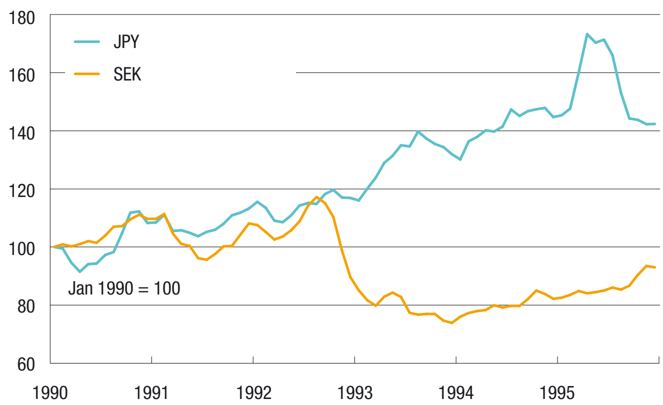
China, which announced to enhance flexibility of its currency Yuan renminbi to USD in June 2010, is basically against the idea of a drastic reform of its currency regime. China has been closely analyzing what happened to the Japanese economy after the Plaza Accord in 1985. It is widely believed that a sudden exchange rate adjustment based on the Plaza Accord was the cause of the bubble of the Japanese economy. In order to avoid similar mistakes, China has been maintaining its policy to gradually adjust its exchange rate. The recent decline of the EUR against the USD, however, was depriving the price competitiveness of

Figure 9 ▶ GDP deflator, %



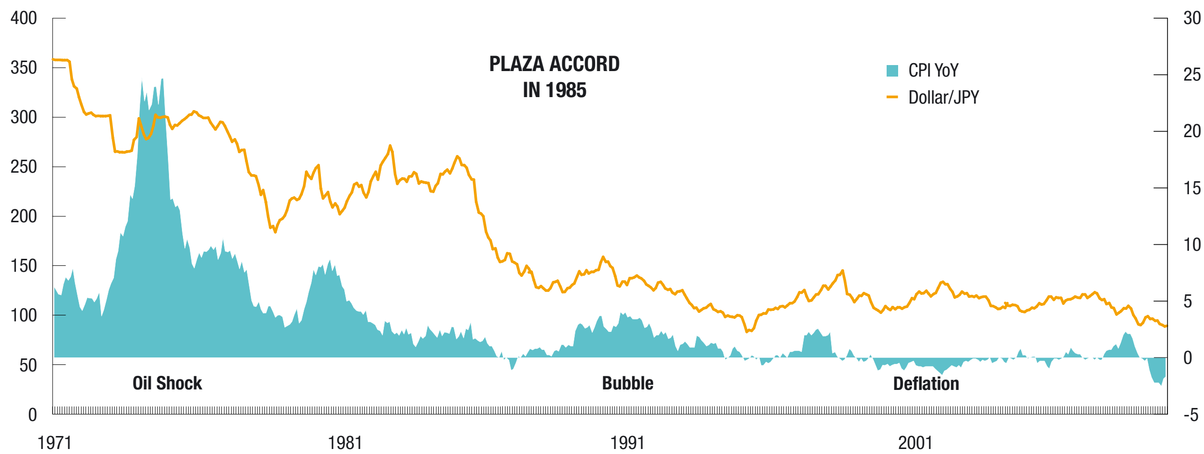
Source: GOJ

Figure 10 ▶ JPY and SEK against USD



Source: Federal Reserve

Figure 11 ▶ Consumer Price Index Inflation (%, right scale), and USD/JPY exchange rate (left scale)



Source: GOJ, Federal Reserve

Chinese goods because the CHY was pegged to the USD. This may mitigate the scope of the voluntary reform by the Chinese authorities because the adjustment is based on a basket of currencies including EUR, but such moderate change might intensify political pressure toward Mid-term election of the US Congress in November 2010. US announced an initiative to double its export in 5 years, but it is impossible for all nations to record trade surplus.

6. Lessons from Japanese experience

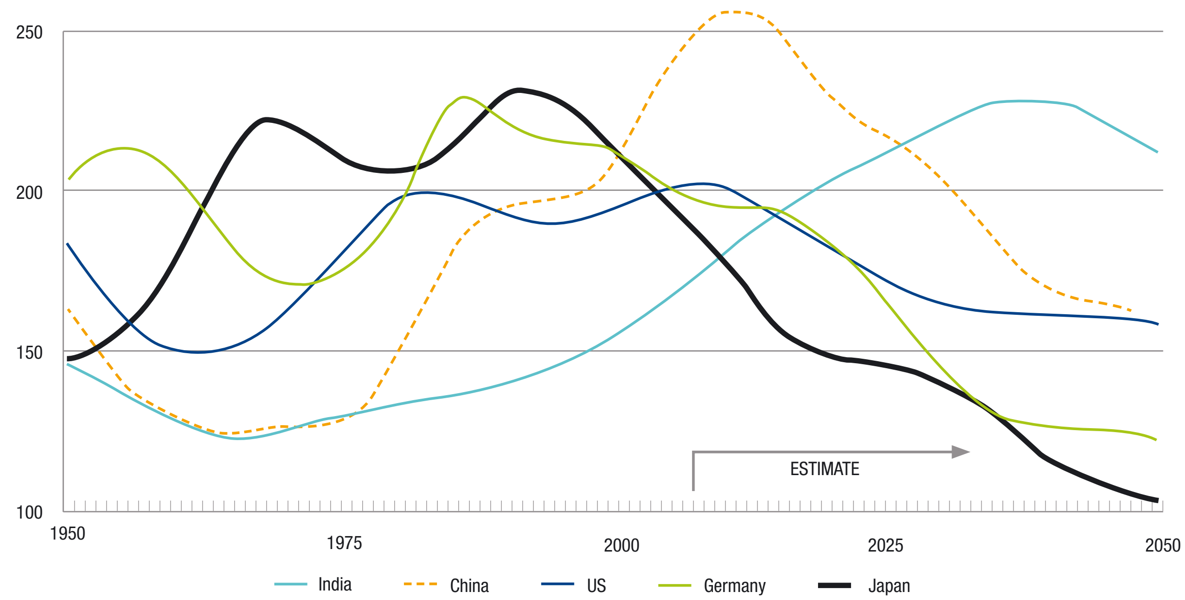
Housing construction in Japan is expected to recover a bit in 2010 thanks to overall economic recovery. There are 11 million housing units constructed before 1981 when the Building Standard Law was amended in order to improve the earthquake resilience of the structure of buildings. There is a need to replace those old houses, so there is room for housing demand even though population in Japan has started to decline since 2005. Mortgage issuance may expand accordingly.

However, a fundamental cause of the sluggish economy in Japan has not been addressed. Population decrease per se may not be the cause of the crisis. Rather, what is bothering Japan, is the fact that the number of elderly population is increasing while overall population is decreasing. The ratio of labour force generations to dependent generations, which is referred to as "population bonus", has been dramatically declining in Japan (and Germany). This increases the burden of social security for working generations, including medical expenditure and pension outlays. What is more important is that this trend is believed to be hard to reverse, and in an anticipation of future burden, the working generations have been building excess savings. In other words, they are "hoarding" cash.

In order to prevent hoarding cash, it is a must to restore confidence in the sustainability of the social security system. Japan has already raised the retirement age from 60 to 65, but it was not enough. Younger generations who are expected to receive less in the future are refusing to pay the pension premium. These expectations for low inflation (or continuation of deflation), coupled with abundant liquidity through excess savings, is keeping the interest rates in Japan at historical lows. 10-year Japanese Government Bonds (JGB) are traded just below 1% in Japan despite huge public debt (180% of GDP). However, as baby boomers will retire in a couple of years, this trend may abruptly revert. In this regard, the propensity of the borrowers to opt for ARM is dangerous and there is the need to enhance financial literacy among consumers.

Fiscal consolidation is another topic which attracts international attention. In 1997, when the consumption tax (VAT) rate was raised from 3% to 5% in Japan, it derailed the economy from the momentum of recovery, which was further exacerbated by the Asian currency crisis. This was an example of a mistake in the exit strategy comparable to 1938 recession in the US. Too much dependence on monetary policy in fiscal constraints may be discouraging the financial sector to adequately allocate financial resources. The real cause of the Japanese "lost decade" may not be the weak performance of the banking system in credit intermediation. In fact, surveys carried out by the BOJ show that it was not the credit crunch by banks but weak demand for funding among borrowers that caused the decline of the currency multiplier in the 1990s. Hoarding cash by individuals may be a rational attitude, but from a macro-economic perspective, this is exactly the case of "what is individually right may not be so in aggregates". In such an environment, intervention of the government to remedy market failure seems justifiable, but the problem is how to do it[31]. The impasse of the Japanese economy and society has such a magnitude which no other economy experienced before. Japan is undergoing unprecedented social experiments. Many policy tools are proposed in Japan[32], the effectiveness of which are yet to be tested. In a decade or so, Japan will provide the world with a lesson of "lost decades" or hopefully a "miracle return of the rising sun".

Figure 12 ▶ "Population Bonus" (ratio of labour force generations to dependent generations, %)



Source: United Nations, Department of Economic and Social Affairs, Population Division (2009), World Population Prospects: the 2008 Revision

[31] The GOJ announced a "New Growth Strategy" on June the 18th, 2010 to boost average nominal GDP growth rate to 3% by 2020 and identified seven fields of growth engine, including "green innovation". Green innovation includes facilitation of energy efficient houses (eco-house).

[32] The BOJ announced to establish new lending scheme to support strengthening the foundation for economic growth on June the 15th, 2010. Boundary of monetary policy and fiscal policy seems blurring, but integration of policy direction may reinforce the effectiveness of each.

Austria

By Wolfgang Amann and Elisabeth Springler, Institute for Real Estate, Construction and Housing (IIBW), Karin Wagner, Central Bank of Austria

Macroeconomic overview

Real GDP contracted in Austria by 3.6% in 2009 and stagnated in Q1 2010 compared to the previous year (having increased by a mere 0.2%). According to the June 2010 edition of the Economic Outlook, June 2010, from the Central Bank of Austria (OeNB), the economy is expected to grow by 1.6% in 2010. The recovery of the Austrian economy is fuelled by the rapid upswing in world trade that has been observed since the summer of 2009.

With regard to business investment, plummeting export demand, tighter financing conditions and the general uncertainty amid the crisis had caused investment in plant and equipment to contract by 8.5%, and gross fixed capital formation to decrease as a whole by 7.5% in 2009. Private consumption has had a stabilising effect on the economy throughout the crisis. Even in 2009 domestic consumer demand was rising at a moderate rate of 0.8%, reflecting comparatively high wage increases, gains from income tax reform, very low inflation rates (2009 HICP inflation was 0.4% year-on-year) and as such, low unemployment rates (4.8% in 2009).

Housing and mortgage markets

Austria has a housing stock of 4 million units, in which 3.6 million households live as primary residence (2009). The vast majority of the housing stock (more than 90%) is well equipped with central heating and bathroom facilities. Just over one quarter of the stock was built before 1945, 43% between 1945 and 1980, and one third after 1981. Vienna in particular has a large stock of old housing, which is in a relatively good condition. The predominant housing tenure in Austria is that of a single-family home, accounting for a 45% share of of total owner-occupancy. Together with an 11% share of households living in condominiums, the total owner-occupancy rate reaches 56%. The majority of rental stock is affordable housing with approximately 23% (Limited Profit Housing Associations and municipal housing), while only around 18% of rental stock is private rental.

The recent economic crisis has led to a downturn in new construction in Austria. Nevertheless, due to the strong position of subsidised housing, the residential construction activity has proved to be more stable than in most other European countries. There was a peak of building permits in 2006 with more than 47,000 units (equal to 5.7 units per 1,000 inhabitants). In 2009 it was roughly 40,000 units, corresponding to an estimated decrease of 35,000 units by 2012 (4.8/4.2 units per 1,000 inhabitants). Housing completions usually follow the same pattern with some two-year lag. The construction sector is still down, with no signs for a recovery as of yet. Austrian construction investment decreased in Q4 2009 by 6.2% year-on-year (in Q1 2010 by 7.7%). The value added in the construction sector has been declining over the last two years. The Austrian Central Bank (OeNB)`s forecasts for 2010 and 2011 assume that residential construction investment year-on-year growth rates will be -3.9% and 0.1% respectively. Regarding housing transactions, there are only few statistical data available. To summarise, Austrian households show a low housing mobility which is below 5% per year. The weak housing transaction dynamics do not only concern the ownership sector, but are noticeable in the rental sector as well. Extensive tenancy protection allows for tenure security close to ownership. Only in the 1990s was a new tenure of limited rent contracts introduced, which is steadily growing in volume.

After a slowing trend during 2009, house prices went up in Q1 2010 by 8.7% year-on-year in Vienna and by 4.8% year-on-year in the rest of Austria, with used owner-occupied flats and semi-detached houses increasing the most. Further slight increases in housing prices are expected over the 2010-2011 time period, but there are no signs of any price bubbles or any developments in housing prices that may hamper financial stability at all.

Housing markets in Austria developed smoothly and rather consistently in most parts of the country. The average market rent is as low as EUR 6.30 per square meter in 2009 (excluding taxes and maintenance costs). In the capital city Vienna, average rents are only slightly higher: EUR 7.30 per square meter. Of course, the uppermost market segment is much higher: up to EUR 15 per square meter. The increase in rental prices has been below the consumer price inflation for many years. Only since 2005 has it caught up. Vienna has therefore very low rental prices, compared to other European capital cities. This is partly a result of the integrated housing policy model with competition between the private and the social rental housing sectors. Large cities from western Austrian provinces such as Salzburg and Innsbruck have higher rental market prices than Vienna.

The situation is similar in the owner-occupied sector where the price is on average only EUR 2,500 per square meter for new apartments in Vienna (but above EUR 4,000 per square meter in the uppermost segment with maximum prices of above EUR 10,000 per square meter, close to EUR 3,000 per square meter in Innsbruck and close to EUR 4,000 per square meter in Salzburg).

Concerning housing finance, we refer to the Household Survey on Housing Wealth 2008 (HSHW) commissioned by the OeNB[33] . In the following, the term "loans" covers loans taken out to finance house purchase as well as credit for land purchases. Furthermore, it also covers loans granted by employers or by family or friends. Loans taken out to finance home renovation or repairs are not included. According to this survey, 22% of Austrian households have taken out debt to finance housing. Low-income households with outstanding housing debt are particularly vulnerable: their LTV ratios and their debt-servicing ratios as a share of their income are disproportionately high. The median share in disposable income used by Austrian households to pay back loans is 50% in the lowest income sector but only 12% in the highest one. This share is high compared to the average in six euro area countries (Germany, Greece, Spain, Italy, The Netherlands and Portugal), which is only 35%[34]. Low-income households account for only 10% of all outstanding housing loans and this is the main reason why financial stability risks are rather low. Despite the potential risks involved, foreign currency loans have become very popular in Austria: 29% of all indebted households have at least one outstanding loan in foreign currency.

The housing loan interest rate type is relevant in measuring how quickly monetary actions can affect disposable income: the bulk of housing loans in Austria are variable rate loans (according to HSHW, 66% of households holding loans have at least one variable rate loan, 43% in the euro area). The higher the household income, the lower the LTV ratio: while the LTV ratio is 68% for lowest income indebted households, it is 42% for households in the highest income group. A key-characteristic of Austria's housing policy is its focus on regulated limited-profit rental sector and its structured financing arrangements. Also in 2009, the most

[33] See Fessler, P., Mooslechner, P., Schürz, M. and Wagner K. (2009). Housing Wealth of Austrian Households. In: Monetary Policy & the Economy Q2/09, Vienna: OeNB. 104–124; N. Albacete and K. Wagner (2009), Housing Finance of Austrian Households. In: Policy & the Economy Q3/09. Vienna: OeNB. 62–92.

[34] See ECB (2009), Housing Finance in the the euro area, ECB Occasional Paper 101.

important role was played by the state and regional supply-side subsidies, which aim at fostering social housing. Public subsidies accounted for around 1% of GDP, out of which around 70% was spent for new construction, 20% for renovation and 10% for housing allowances. Due to the focus on the social rental sector with generous income limits, which are high enough to allow 80%[35] of the population to enter the rental sector, a unitary rental market is still promoted.

In addition to these specifics in public funding, the structure and volume of the self-audited and publicly regulated limited-profit housing sector have an impact on the affordability of housing and account for 13% of the housing stock. The 192[36] existing limited-profit housing associations, which were active by the end of 2008, manage 750,000 housing units in the country. In addition to the 9% of rental flats held by municipalities, the Austrian social rental housing sector accounts for 22% of total housing tenure. Moreover, the limited profit housing sector covers 6% of owner-occupied flats (data refers to 2008). Despite the existence of interest rate deductions on mortgage loans, the tax incentives to increase home ownership are still of minor importance for housing policy in Austria compared to the volume of direct supply-side subsidies.

Funding

Due to the global recession the development of new mortgage funding decreased sharply until 2009 and remained stable during 2009.[37] The softening in lending criteria in Q4 2009 suggests a potential increase in new mortgage funding in 2010. The ratio of foreign currency loans was decreasing slightly in 2009 but still amounted to around 36% of the total new mortgage loans. Foreign currency loans represented around 38% of total mortgage lending compared to around 1% in the euro area, excluding Austria. Building societies`(Bausparkassen) contracts play an important role in Austrian housing policy. The number of contracts further increased in 2009. Capital market instruments available for mortgage banks experienced strong fluctuations in 2009. While the volume of the issuance of housing bonds was increasing up to mid 2009 (to around EUR 120 million) after its strong downturn in the end of 2008 (to around EUR 50 million), it decreased again by the end of 2009. The issuance of mortgage covered bonds, which recorded a peak in 2006 (to around EUR 2.2 billion), increased from 1.3 in 2008 to EUR 1.4 billion in 2009.

	EU27, 2009	Austria, 2009	Austria, 2008
GDP growth (%)	-4.2	-3.6	2.0
Unemployment rate (%)	8.9	4.8	3.8
Inflation (%)	1.0	0.4	3.2
% owner occupied	68.2	56.2	56.9
Residential Mortgage Loans as % GDP	51.9	26.2	25.3
Residential Mortgage Loans per capita, EUR thousand	12.37	8.68	8.56
Total value of residential loans, EUR million	6,125,727	72,487	71,346
Annual % house price growth	-6.8	3.0	0.0
Typical mortgage rate (euro area),[38] %	2.71	3.71	5.32
Outstanding Covered Bonds as % outstanding residential lending	23.2	7.3[39]	7.0

Source: EMF, Eurostat, ECB, Bank of Austria, Statistics Austria, Euroconstruct, Austrian Federal Economic Chamber statistics (WKÖ-Immobilienpreisspiegel), IIBW

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Austria=2009

[35] Amann W., Lawson J. and Mundt A. (2009), Structured financing allows for affordable rental housing in Austria, in The Housing Finance International Journal, June 2009.

[36] Mundt , A. and Amann W. (2009), Indicators of a unitary rental market in Austria, paper presented at the ENHR (European Network of Housing Research) Conference 2009 in Prague.

[37] Compared to the following OenB (2009), Kreditvergabe des Österreichischen Bankensystems, 3, Kreditbericht, November 2009.

[38] Please note that the euro area "typical mortgage rate" which is reported in each of the country report tables is the year-end variable mortgage rate which is applied in the euro area (Source: ECB). This is used as a proxy for a European average mortgage rate, which would be misleading if a simple average of national typical mortgage rates was used.

[39] Please note that the outstanding covered bond to outstanding residential lending ratios for Austria are estimates.

Belgium

by Frans Meel, Union Professionnelle du Crédit

Macroeconomic overview

The Belgian economy felt the full impact of the global recession in 2009. The annual real GDP went down by 3.1% on average, i.e. the most severe contraction since the Second World War. From the 1960s up to now, there have been only three other occurences of a year-on-year fall in GDP: by 1.5% in 1975, by 0.3% in 1981 and by 1% in 1993.

Despite being strongly dependent on international trade and very sensitive to the difficulties encountered by major banks, the Belgian economy has proved more resilient than that of the euro area as a whole. However, the recovery remains fragile for the moment, being largely reliant on tax incentives and replenishment of stocks. The continued downturn in the stock market and the highly uncertain economic context have made Belgian citizens and enterprises very cautious.

Just like in the euro area, economic activity in Belgium returned to positive growth in Q3 2009. Although the recession came to a standstill by mid-2009, the sharp contraction in real GDP will continue to take its toll for some time.

Having reached 5.9% in July 2008, inflation measured on the basis of the harmonised index of consumer prices (HICP) fell sharply in Belgium down to negative territory, dropping to –1.7% in July 2009. Then it started rising, becoming slightly positive againby the end of the year, reaching 0.3%. On average, inflation was flat in 2009, whereas it had reached 4.5% in the previous year.

Concerning employment, an average decrease of 24,000 units was seen in 2009. This drop affected mostly those sectors that are exposed to the fluctuation of the business cycle, such as agriculture, industry, construction and services. A total loss of 52,000 jobs was recorded, whereas in 2008 and also 2007, around 50,000 new jobs had been created. In 2009 the harmonised unemployment rate reached on average 7.9% i.e. an increase by 1 percentage point compared to the previous year.

Housing and mortgage markets

Average house prices continued to record an upward trend during the first three quarters of 2008 followed by a drop in Q4 2008. The decrease in prices established a new and continuous trend until Q2 2009, when it came to a standstill. In Q4 2009 housing prices started to rise again (i.e. to EUR 175,156 in absolute terms).

Villa prices have dropped down to an average of EUR 291,898 during Q2 2009 and reached the same level recorded in Q4 2006. Following the trend in the average housing prices, villa prices also started an upward trend and went up to EUR 303,729 in Q4 2009.

The average price for apartments continued to fluctuate around EUR 175,000. In Q4 2009, a strong increase up to an average of EUR 183,473 was recorded in the housing market segment for single apartments.

The outstanding amount of residential mortgage lending reached roughly EUR 146 billion by the end of 2009 (compared to the year end of 2008 EUR 137 billion).

During the first three quarters of 2009, the financial assets held by households amounted to EUR 25 billion, more than over the whole year of 2008. As a result, total outstanding financial assets held by households went up to EUR 872 billion by 30 September 2009, compared to the EUR 800 billion figure at the end of December 2008.

In 2009, the value of new mortgages granted (including refinancing operations) increased by 2.5% on 2008 (while in 2008 it had decreased by 2.2% on 2007). The number of contracts granted increased by more than 10% compared to 2008 (0.4% in 2008 compared to 2007). If refinancing operations are excluded, the number of new mortgages granted increased by 9.5% on 2008, the corresponding amount however increased only by 1%.

The level of new credit granted during the first half of 2009 was substantially lower than in 2008 (-11% in values and -3% in number of contracts). The results for the second half of 2009 showed a clear increase (+17.8% in values and 24.6% in the number of new contracts) in comparison with the second half of 2008, mainly due to very positive developments in Q4 2009. It should be pointed out that the Q4 2008 was very weak, since the financial crisis had reached its peak in Belgium at that time.

Considering the fact that the level of mortgage applications submitted since mid 2009 started to increase again, compared to the corresponding period of the previous year, it seems that the worst already lies behind us as far as the mortgage market is concerned. In fact, data suggests that the upswing during the second half of 2009 continued in Q1 2010 (i.e. an increase of more than 26% in the number of contracts in comparison with Q1 2009, and an increase of 33% in values).

"House Purchases" represented 40.3% (an annual decrease of 6% in numbers) of the number of contracts signed in 2009, and this corresponds to 54.3% (for an annual decrease of 4.5%) in values. Further information on the construction market breakdown reveals that the market share of "new construction" reached 12.4% regarding the number of contracts (equal to an annual decline of 1%) and 16.2% as regards the amount of loans granted (an increase of 0.3%). The market share of "renovations" grew considerably and represented 30.7% of the total number of contracts (an 6.9% annual increase). These developments were mainly driven by the government's stimulating measures for energy-saving investments; in fact, one of these measures is the 1.5% interest deduction for 'green' loans that is being granted by public authorities.

The average amount of mortgage loans for "purchases" was EUR 125,496, a little bit lower than in 2008 (EUR 126,683). The average amount of mortgage loans for renovation purposes dropped by roughly 6% to EUR 34,000.

After having reached an absolute record share of more than 85% in 2007, the market share of fixed rate mortgages (i.e. with an initial fixed period longer than 10 years) decreased to 53.5% in 2009. Moreover, the underlying evolution was even more remarkable: during the last quarter of 2009, the market share of this type of mortgage loan represented barely 33%. In Q1 2010, this downward trend in the share of fixed rate mortgages was confirmed.

Considering the evolution of mortgage applications in Q1 2010 (which recorded a 14% increase compared to Q1 2009), the Belgian mortgage market is likely to be resilient. However, developments in the upcoming months will depend on the evolution of the economic situation interest rates to a large extent.

	EU27, 2009	Belgium, 2009	Belgium, 2008
GDP growth (%)	-4.2	-3.1	1.0
Unemployment rate (%)	8.9	7.9	7.0
Inflation (%)	1.0	0.0	4.5
% owner occupied	68.2	78.0	78.0
Residential Mortgage Loans as % GDP	51.9	43.3	39.8
Residential Mortgage Loans per capita, EUR thousand	12.37	12.84	13.86
Total value of residential loans, EUR million	6,125,727	146,329	137,016
Annual % house price growth	-6.8	1.7	0.7
Typical mortgage rate (euro area), %	2.71	4.43	4.99
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Sources: EMF, ECB, Eurostat, National Bank of Belgium

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Belgium= 2007

Bulgaria

By Alessandro Sciamarelli, EMF

Macroeconomic overview

The Bulgarian economy was severely hit by the global macroeconomic and financial turmoil in 2009. Real GDP fell by 5% and this represented the first recession after six consecutive years when economic growth exceeded 5%. According to 2009 annual data, the labour market was not considerably affected by the economic recession, although labour market data can be slow in reflecting the changes in the macroeconomic environment: the unemployment rate in Bulgaria increased from 5.6% in 2008 to 6.8% in 2009. The inflation rate, which was steadily above 6% in the three previous years, was mainly driven by the recessionary and deflationary developments in the economy, and plummeted from 12.5% in 2008 to 2.5% in 2009.

The dramatic decrease in domestic demand was behind the weak economic performance of the country: gross fixed capital formation fell by 26.9% and imports by 22.3%, while conversely exports increased by 12.6%, recording the first positive growth rate since 1998. As a result, the current account balance sharply improved, albeit remaining negative and recording a deficit of 8.3% of GDP (22.9% in 2008). Government spending, due to the worsening conditions of public finances, also provided a sharp negative contribution to GDP growth (-5.5%). As a result of lower corporate tax revenues stemming from the economic downturn, public finances recorded the first negative deficit to GDP ratio (-3.9%) since 2000.

Housing and mortgage markets

After providing a very strong contribution to real GDP growth during the years of the booming cycle, the residential construction sector was severely hit by the economic and financial crisis. Consistent with the correction from the previous cycle, gross fixed investment in construction experienced a dramatic fall of 26.9% on 2008 after the double-digit growth rates of the previous years (20.4% in 2008). The corresponding figure for the residential construction sub-sector is not available however. The number of residential building permits more than halved compared to 2008, reaching the historical low of 20,166 units, which represented a decrease of 59.2% on the previous year and of 69% on the peak recorded in 2007 (62,185). On the demand side, the housing market experienced its first severe recession as average national house prices fell in nominal terms by 21.4%, following on from growth rates in house prices above or around 15% in the previous three years which clearly outperformed most housing markets in the EU15 economies.

Mortgage debt to GDP ratio went from 11.6% in 2008 to 12.6% in 2009 as outstanding mortgage loans amounted to around EUR 4.3 billion from roughly 4 billion in 2008. Representative mortgage interest rates on loans denominated in BGN went down from 10.23% in December 2008 to 9.72% in December 2009, while mortgage interest rates on loans denominated in EUR decreased from 8.59% to 8.72% over the period.

	EU27, 2009	Bulgaria, 2009	Bulgaria, 2008
GDP growth (%)	-4.2	-5.0	6.0
Unemployment rate (%)	8.9	6.8	5.6
Inflation (%)	1.0	12.5	2.5
% owner occupied	68.2	96.5	96.5
Residential Mortgage Loans as % GDP	51.9	12.6	11.6
Residential Mortgage Loans per capita, EUR thousand	12.37	0.56	0.52
Total value of residential loans, EUR million	6,125,727	4,268	3,960
Annual % house price growth	-6.8	-21.4	24.9
Typical mortgage rate (euro area), %	2.71	9.72	10.23
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Sources: EMF, Eurostat, ECB, Bank of Bulgaria, SeeNews, National Statistical Institute of Bulgaria

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Bulgaria=2002

Cyprus

By Alessandro Sciamarelli, EMF

Macroeconomic overview

After four consecutive years when economic growth exceeded 3%, the Cypriot economy experienced a slowdown in 2008, as well as all other EU countries. Although the country benefited from general macroeconomic stability after accession to the euro area since January 1st, 2008, the economic cycle turned to recession in 2009 as real GDP decreased by 1.7%, mainly as a result of the decrease in domestic demand (by 13.2%) and the adverse international economic conditions. All GDP components provided a negative contribution to GDP growth (gross fixed investment fell by 12%, of which investment in equipment by 19.5%), except for exports which returned to positive territory after three years of negative growth (5.8%). The current account balance (due to decreased domestic demand) improved slightly, recording a lower deficit (by 8.5% of GDP) than the previous years.

As a consequence of the feeble economic activity, the rise in consumer prices remained flat (0.2%), after a more sustained increase in 2008 (4.4%). This very moderate inflation was mainly driven by the marked reduction in global oil prices as well as the appreciation of the EUR against the USD. As a result, a significant decrease was recorded in the prices of domestic fuel and electricity. Employment conditions worsened as a result of the recession but the average annual unemployment rate rose only moderately (from 3.6% to 5.3%). In spite of this public finances were severely affected by the deterioration in the economy, with the deficit to GDP ratio further increasing (from 6.1% in 2008 to 7.1% in 2009), while gross government debt went above 50% of GDP again (56.2%, after 48.4% in 2008).

Housing and mortgage markets

In line with what happened in most EU housing markets, in 2009 the residential construction sector suffered from a marked downturn. Housing supply in terms of building permits for residential units recorded a 0.6% increase on 2008 - a slightly positive performance, even though this did not represent a reversed trend after the two consecutive contractions recorded in 2007 and 2008, by 2.8% and 6.6% respectively. Residential investment fell by 6.4% after the decrease of 2.7% in 2008. On the demand side, according to provisional annual data, in 2009 residential property prices recorded a harsh fall (by 8.0%) which was the first year-on-year decrease and represented a turnaround after the very buoyant performances of the previous years (when growth in property prices was above 10% per annum).

Despite the weaker demand for residential dwellings, mortgage lending activity in Cyprus proved countercyclical compared to the rest of the EU markets. Outstanding residential lending did not slow down and reached EUR 10.4 billion.

The annual increase in outstanding residential lending was the highest recorded in the EU (22.2%). Thanks also to the substantial decrease in nominal GDP, the residential mortgage to GDP ratio exceeded the EU27 value (61.3% vs 52.3%) and reached its historical peak, almost doubling the value recorded in 2006 (36.9%). Year-end fixed interest rates (up to one year) on residential mortgage loans reached their historical low at 5.01% (from 6.47% in 2008), as a result of the prolonged expansionary stance in the ECB`s monetary policy.

	EU27, 2009	Cyprus, 2009	Cyprus, 2008
GDP growth (%)	-4.2	-1.7	3.6
Unemployment rate (%)	8.9	5.3	3.6
Inflation (%)	1.0	0.2	4.4
% owner occupied	68.2	68.0	68.0
Residential Mortgage Loans as % GDP	51.9	61.3	49.3
Residential Mortgage Loans per capita, EUR thousand	12.37	13.04	10.77
Total value of residential loans, EUR million	6,125,727	10,388	8,501
Annual % house price growth	-6.8	-8.0	13.0
Typical mortgage rate (euro area), %	2.71	5.01	6.47
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Sources: EMF, Eurostat, ECB, Central Bank of Cyprus, Statistical Service of Cyprus

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *House price growth data for 2009 is provisional*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Cyprus= 2006

Czech Republic

By Jindřich Thon, Hypoteční banka

Macroeconomic overview

The Czech economy, as most other European countries, experienced a strong recession in 2009. The economic downturn became evident as long ago as late 2008, when the business sector started to experience a rapid decrease in new orders. After the sharp drop in Q1 2009, the economy started to stabilise quite quickly, yet it showed a full-year decline of 4.8% in 2009. The main contributors to the decline in GDP were the significant decrease in investment, equipment and means of transport, as well as a downturn in construction. The economy was strongly affected by the reduction in inventories and last but not least, by the fall in exports, stemming from the recession in Western Europe. In spite of the fall in exports, the Czech Republic's trade balance surplus more than doubled last year. This was due in part to cheaper raw material imports. Thus the current account deficit recorded a very low deficit of 1% of GDP. The start of the economic recession also heavily affected the labour market. On one hand, the unemployment rate began to climb rapidly (up to 7.3% at the end of the year, 6.7% on yearly average), while on the other hand, the median wage in the business sector started to fall in real terms. The recession also had a negative impact on public finances, as the government budget deficit went up to 5.9% of GDP, primarily due to the drop in tax revenues.

The economic depression also contributed to the drop in inflation, which fell to well below the central bank's target at the end of the year. Thus the Czech National Bank could maintain its expansionary policy. Consequently, the central bank cut its base rate (the two-week repo rate) in four steps, down to 1%. Given the persisting risk-aversion and the preference for short-term trades, the decline in market rates was slower. In addition, the decline in client credit rates was curbed by clients' increasing exposure to risk, in both corporate and retail interest rates. Even so, we can say that the financial market has significantly improved compared to 2008.

Housing and mortgage markets

The downturn in housing construction continued in the Czech Republic during 2009. The number of completed flats slightly rose on a year-on-year basis (by 0.2%), but new housing construction continued to fall (by 14.3%). This was partly a reaction to the previous construction boom, which was caused by long-term high demand, but was also supported by the expected change in the VAT rate. Another major significant reason, however, was the economic recession, which cooled down demand for new flats and, in addition, led to the reassessment of some new development projects. This trend can be expected to continue in 2010. One result of the gradual downturn in the property market (according to the Czech Statistical Office) was a fall in the average price of flats by roughly 8.8%. A more precise view of the prices of flats is, however, not available for the Czech Republic.

There were 15 mortgage banks operating in the Czech mortgage market in 2009, and the market share of the three largest banks exceeded 80%. Last year, the housing loan market continued to be affected by a further fall in the amount of new loans. Whereas in 2008 financial institutions provided households with new loans for property purchases amounting to almost CZK 123 billion (EUR 5 billion), last year it was approximately 30% less, and compared to the record year of 2007 there was a fall of almost 49%. Despite this, the share of housing loans continued to increase, reaching 19% of GDP at the end of the year. Not even the sharp fall in the economy caused a significant worsening of households' payment discipline. At the end of the year the share of non-performing loans out of total housing loans had risen to 2.5%.

Funding

The main funding source for residential mortgages in 2009 was still mortgage covered bonds, representing 50.6% of outstanding mortgage lending from 48.2% in 2008. Until income tax amendments in 2008, revenue interests from mortgage covered bonds had been income tax exempted. Revenue interests on mortgage covered bonds issued after January the 1st, 2008 are subject to withholding tax. This amendment increases the costs and thus lowers the volumes of new mortgage covered bonds issued.

	EU27, 2009	Czech Republic, 2009	Czech Republic, 2008
GDP growth (%)	-4.2	-4.8	2.5
Unemployment rate (%)	8.9	6.7	4.4
Inflation (%)	1.0	0.6	6.3
% owner occupied	68.2	47.0	47.0
Residential Mortgage Loans as % GDP	51.9	19.4	10.8
Residential Mortgage Loans per capita, EUR thousand	12.37	2.49	1.54
Total value of residential loans, EUR million	6,125,727	16,975	16,014
Annual % house price growth	-6.8	n/a	13.2
Typical mortgage rate (euro area), %	2.71	5.61	5.69
Outstanding Covered Bonds as % outstanding residential lending	23.2	48.2	50.6

Sources: EMF, Eurostat, ECB, Czech National Central Bank, Czech Statistical Office, Ministry of Regional Development

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Czech Republic=2001

Denmark

By Kaare Christensen, Association of Danish Mortgage Banks

Macroeconomic overview

Danish real GDP contracted by 4.9% from 2008 to 2009, reflecting the severe effects of the financial crisis on the Danish economy. The Danish economy is largely dependent on its exports, which along with the slowdown in the global economic environment fell by 10.3% in real terms over the previous year. Private consumption slowed as households became wary of the worsening economic outlook. Private consumption fell by 2.0% in real terms over the previous year. In 2009, only public spending provided a positive contribution to aggregate demand with an increase of 2.5% in real terms. The resilience of the Danish labour market throughout 2008 ended in 2009. The unemployment rate rose from 3.3% on average to 6.0% on average from 2008 to 2009.

Denmark recorded spreads in the sovereign debt market along with the official discount rate soar by the end of 2008, when investors fled to major currencies. As the panic evaporated in the early months of 2009 spreads decreased, and by year-end 2009 Danish interest rates had stabilised at a pre-crisis level. In 2008 Danish consumer prices edged up to 3.6%. The contraction in the Danish economy put an end to the rise in the inflation rate. In 2009, the harmonised index of consumer prices rose in Denmark by a rate of 1.1%.

Housing and mortgage markets

In 2009, all in all 27,200 single-family and terrace houses along with 8,300 owner-occupied flats and 3,400 holiday homes were traded by means of mortgage finance, an 18% decrease on 2008 levels. It is also a historical low on record in the statistics of the Association of Danish Mortgage Banks, published for the first time in 1995. On a national level, house prices fell by 7.5% from December 2008 to December 2009. This is a slightly lower decrease than in 2008, when prices fell by 7.8%. Figures concerning owner-occupied flats also decreased by 5.7% in 2009; this is considerably less than in 2008, when number of sales of owner-occupied flats fell by 11.5%. At the end of 2009 46,000 unsold homes were on sale on the internet, which is 13% less than at the end of 2008 and which corresponds to the level of 2007. Fewer homes were traded in 2009 than in 2008. In 2009, on a national level, 35,500 owner-occupied homes were traded against 40,000 in 2008. However, the number of transactions in December 2009 exceeded the figure recorded in December 2008 by 22% as regards the two segments of single-family and terrace houses, by 41% as regards owner-occupied flats and by 60% as regards holiday homes. Together with the general development in prices that was recorded towards the end of the year, this data provides a general picture of a recovering housing market. The number of owner-occupied homes that were put up 'for sale' fell in 2009. Whilst in 2008 a record-high number (slightly below 60,000) of homes for sale was recorded, 46,000 homes were for sale on the internet at the end of 2009, especially single-family and terrace houses. 80% of the total volume of homes for sale, around 37,000 homes, were single-family or terrace houses.

In 2009, the Danish mortgage banks granted a total gross lending (both residential and commercial) amount of DKK 476 billion (EUR 63.9 billion). Private and corporate customers' repayments were worth a total of DKK 367 billion (EUR 49.3 billion). Net commercial and residential lending by the Danish mortgage credit sector – the actual growth in the total outstanding loan volume – thus amounted to DKK 110 billion (EUR 14.7 billion). This means that the growth in lending was lower in 2009 than in 2008 when net lending amounted to DKK 159 billion (EUR 21.3 billion). The level of activity in 2009 was the lowest recorded since 2004. As regards mortgage lending's sub-segments (by type of dwelling), net lending to owner-occupied homes and holiday homes was higher than in 2008 and returned to the level recorded before the start of the financial crisis. This can be observed in the gross lending figure of DKK 370 billion (EUR 49.7 billion) in 2009, an increase of DKK 98 billion (EUR 13.2 billion), or 42% on 2008. Net lending to owner-occupied homes and holiday homes decreased from DKK 66 billion (EUR 8.9 billion) in 2008 to DKK 58 billion (EUR 7.8 billion) in 2009, corresponding to a fall of 11%. Gross lending to corporate customers in the agricultural and manufacturing industries, and non-residential premises amounted to DKK 103 billion (EUR 13.8 billion). This is equal to a decrease of DKK 23 billion (EUR 3.1 billion), or 18% on 2008. In the corporate sector, net lending fell by DKK 28 billion (EUR 3.8 billion), i.e. from DKK 72 billion (EUR 9.7 billion) in 2008 to DKK 44 billion (EUR 5.9 billion) in 2009. Lending activity in 2009 was characterised by a stagnating housing market that almost led to a halt in the number of transactions. Nevertheless, the housing sector was vital due to the falling interest rates which led to a sustained remortgaging activity. Mortgage loans amounting to a total of DKK 326 billion (EUR 43.8 billion) were remortgaged. This was the peak since 2005 corresponding to an increase of 25% on 2008, when mortgage loans were remortgaged for a value of DKK 210 billion (EUR 28.2 billion).

In 2009, four out of five homeowners chose to take out their new loans as ARM (Adjustable Rate Mechanism) loans; this happened primarily at the expense of fixed-interest loans. That meant that at the end of 2009, ARM loans accounted for 43% of the total loan volume granted for owner-occupied homes and holiday homes, compared to the 27% figure in 2008. ARM loans have then become the most common loan type prevailing on fixed-interest loans, which accounted for 41% of the lending at the end of 2009 compared to 52% at the end of 2008. Capped, variable-interest loans account for 17% of the total volume of loan value granted for owner-occupied homes and holiday homes. The popularity of interest-only loans has been increasing since they were first introduced in 2003. At the end of 2009, they accounted for 52% of all existing loans granted for owner-occupied homes and holiday homes.

Funding

The new interest rate for ARM loans (which accounted for more than DKK 500 billion, i.e. EUR 67.1 billion) was fixed in December 2009. This was an increase from approx. DKK 350 billion (EUR 47 billion) in 2008. This remarkable increase was due to the fact that the ARM loans were highly popular among borrowers in 2009. The sale of mortgage bonds underlying the loans for which the interest rate was adjusted in December went as planned, following from a buoyant demand for bonds. In combination with the generally low level of market rates, it implied that the new interest rates of borrowers were significantly lower than the year before. When an ARM loan is adjusted with a new interest rate, the mortgage banks must sell new mortgage bonds to replace the ones that expire; the price that investors are willing to pay for the bonds determines the new interest rate which is payable by the borrowers. In the coming years, fewer ARM loans will have to be adjusted for interest rates in the month of December, as the mortgage banks' aim for a more even distribution of the times for ARM adjustments as of 2010.

	EU27, 2009	Denmark, 2009	Denmark, 2008
GDP growth (%)	-4.2	-4.9	-0.9
Unemployment rate (%)	8.9	6.0	3.3
Inflation (%)	1.0	1.1	3.6
% owner occupied	68.2	54.0	54.0
Residential Mortgage Loans as % GDP	51.9	103.8	95.4
Residential Mortgage Loans per capita, EUR thousand	12.37	41.96	40.62
Total value of residential loans, EUR million	6,125,727	231,263	222,403
Annual % house price growth	-6.8	-7.5	-7.8
Typical mortgage rate (euro area), %	2.71	5.19	6.58
Outstanding Covered Bonds as % outstanding residential lending	23.2	100.0	100.0

Sources: EMF, Eurostat, ECB, Bank of Denmark, Denmark Statistics

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Denmark=2009

Estonia

By Alessandro Sciamarelli, EMF

Macroeconomic overview

The Estonian economy in 2009 was very severely affected by the financial crisis and suffered from its worst economic recession on record: real GDP plummeted by 14.1%, after the milder recession (-3.6%) already experienced in 2008. The most dramatic decrease among GDP components was recorded in fixed private investment in equipment (-45.6%). A strong decrease was also recorded in investment in construction (-26.8%) which, due to the sustained contribution that the construction sector has provided over recent years to real GDP growth, contributed to drive the economy into recession.

As a result of this sharp deterioration in the macroeconomic environment, the unemployment rate more than doubled and reached its peak since 2000 (13.8%). Inflation decelerated dramatically as a result of the depressed economic activity – and also due to the fixed exchange rate regime (the EEK has been pegged to the EUR since 1999) which contributed to the maintenance of price stability and went down to 0.2% from the peak of the inflation rate of 10.6% in 2008.

As a result of the sharp fall in domestic demand (of 26.6%), the current account balance improved from its long-term imbalance and recorded a surplus (4.6% of GDP) for the first time since 1993. Although public finances were impacted by the economic crisis, they generally improved compared to 2008: the government budget balance recorded a deficit of 1.7% of GDP vs. 2.7% in 2008 (representing however, the second lowest deficit after Luxembourg recorded in the EU27 in 2009). In parallel, gross debt increased to 7.2% of GDP even though it remained far from the lowest public debt to GDP ratio in the EU27.

	EU27, 2009	Estonia, 2009	Estonia, 2008
GDP growth (%)	-4.2	-14.1	-3.6
Unemployment rate (%)	8.9	13.8	5.5
Inflation (%)	1.0	0.2	10.6
% owner occupied	68.2	96.0	96.0
Residential Mortgage Loans as % GDP	51.9	44.5	39.2
Residential Mortgage Loans per capita, EUR thousand	12.37	4.56	4.63
Total value of residential loans, EUR million	6,125,727	6,111	6,206
Annual % house price growth	-6.8	-32.7	-28.5
Typical mortgage rate (euro area), %	2.71	5.90	8.20
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Sources: EMF, Eurostat, ECB, Bank of Estonia, Statistics Estonia

Housing and mortgage markets

As of 2008, the housing market experienced a sharp correction after the peaks both in completion of residential construction activity – which led to excess supply of housing - and in house prices recorded between 2002 and 2006. Also residential construction performed very poorly since 2008; the number of residential building permits recorded three years of consecutive year-on-year falls (-61.9%) following the peak in 2006, when 12,863 new residential buildings were authorised for a population of 1.4 million people. The sharp deterioration of macroeconomic downturn throughout the year also contributed to this poor performance. Housing completions fell (-42.9%) for the second consecutive year. On the demand side, house prices in the Tallinn area continued to decrease sharply (-32.7%), after the first decrease observed in 2008 (-28.5%).

Mortgage lending activity in 2009 was both a reflection of curbed housing demand and also a result of a correction, after years of continuous negative growth which was exacerbated by the unfavourable macroeconomic environment. Outstanding residential lending decreased on 2008 by 1.5% and reached EUR 6.1 million in 2009, after two years of slowdown in growth rates (in 2008 and 2007), just after a spectacular 63.4% increase recorded in 2006. The fall in new lending was even more dramatic (-68.9%). Due to the fact that the decrease in nominal GDP was much larger than that in outstanding mortgage lending, the ratio of outstanding mortgage lending to GDP increased from 39.2% in 2008 to 44.5% in 2009. The interest rate environment provided some support to mortgage lending demand as the weighted mortgage interest rates at the end of 2009 went down to 5.90% (from 8.20% in 2008), albeit remaining above the historical low (3.70%) recorded in 2004 and 2005.

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Estonia=2008

Finland

By Ari Laine, Housing Fund of Finland

Macroeconomic overview

In 2009, the global economy suffered its most severe downturn since the Second World War. The year was exceptionally bad for the Finnish economy. Real GDP plunged by 7.8%. The last comparable recession in GDP was more than 90 years ago. During the previous recession, in 1991, real GDP fell by 6.0% on the previous year. The Finnish economy grew strongly from 2004 to 2007, recording a 3.9% annual average growth rate, which was above the euro area. However, real GDP growth in 2008 dropped to 1.2%. The economy was heavily impacted by higher inflation, the credit crunch, and the decreased demand for Finnish exports, which accounted for around 45% of GDP. Export volumes contracted by 25.5% year-on-year in Q1 2009. The average annual unemployment rate in 2009 was 8.2% and is expected to rise up to 10% by the end of 2010. The GDP performance was mainly affected by the decrease in exports and investment. The volume of exports fell by 25% and investment decreased by more than 13%. Private consumption dropped by more than 2%.

Consumer prices stayed constant in 2009 as measured by the national consumer price index. However, the harmonised consumer price index, which excludes the effect of interest rates and house prices, went up by 1.6%, which is well above the average for the whole euro area. Inflation is expected to reach 1.5% this year because of rising prices in energy and other raw materials. Falls in house prices and interest rates will however slow down.

Earnings increased very rapidly in 2009, once put in the context of the cyclical downturn in economic environment. Wage rates rose by 3.7% and earnings by 3.9%. The number of unemployed people started to rise during 2009. However, unemployment did not increase as much as the fall in real GDP would explain, but it will continue to rise in 2010 despite the trend of output growth, and the unemployment rate is expected to climb up to 10.2%.

Housing and mortgage markets

There was a 5.2% fall in the average price of existing dwellings, up to Q1 2009. Adjusted for inflation, existing dwelling prices fell by 6.8% year-on-year to end-Q1 2009, according to Statistics Finland. Prices of new dwellings fell by only 1% year-on-year, to EUR 2,738 per square meter, or by 2.6% inflation-adjusted. Helsinki was more affected by the decline than the rest of Finland. Existing dwelling prices fell by 7.5% in the Helsinki Metropolitan Area, to EUR 2,708 per square meter (by 9% in real terms). Prices of new dwellings fell by 4.6% (6.2% in real terms).

The trend in the housing market has then totally changed since spring 2009. The remarkable fall in the interest rate boosted demand and turned the prices up again. There was an upswing in house prices from Q4 2008 to Q4 2009. In the Finnish housing market, developments in housing loans are typically linked to short-term interests. Households came back quickly to the housing market although the economic forecasts assumed market downturns due to rising unemployment.

Finland's housing market is still influenced by a decade of housing shortage as a result of weak activity in residential construction. 30,000 dwellings on a yearly basis were completed annually from 1994 to 1999, which is far less than the estimated housing needs. The main reasons for the need of increased residential construction activity are ongoing internal migration and changes in the economic structure of the country. Finland's private rental market is still relatively subdued, with about half of rental dwellings (roughly 800,000 units) receiving some form of government subsidy or support. Even after the complete deregulation of the private rental market in 1995, it still suffers from a distortion deriving from the large social housing sub-sector. Rents in the rental housing sub-sector, which benefit from Government-subsidised loans, are 25% lower than private rents in Helsinki, and 15% cheaper than the rest of the country. Following the initial rapid rent increases due to the rent liberalisation, recent rental growth has slowed down. From 2001 to 2007, house prices in Finland rose by around 50%, while private rents recorded a 17% growth rate. In Helsinki, house prices rose by 55%, while private rents rose by only 12% over the same period. From Q4 2008 to Q4 2009, government-subsidised rents rose by 5.3%.

Traditonally, Finland has had a very cyclical economy, which is highly exposed to global markets and sensitive to global shocks. This is the major cause of the volatility of the country's housing market. From 1980 to present, the country experienced four distinct house-price cycles. However, in 2009 the house price behaviour was totally different compared with earlier depressions. The relative volatility of house prices in Finland is also due to:

- The housing market's high interest rate sensitivity; and
- An insufficiently responsive supply side.

The boom in Finnish house prices lasted from 2001 to Q2 2008 and was mainly based on:

- Sustained growth in the economy and in wages;
- Changes in the mortgage market, combined with low interest rates, which made housing more affordable for all income classes;
- Changes in the tax system: owner-occupation is still encouraged by the current tax system, despite the reforms which were undertaken during the 1980s, since it allows a flat 29% tax deduction on mortgage interests, while there is no tax on rental income and capital gains on permanent homes.

In 2009, house prices were rising in Finland primarily as a result of the decrease in the level of interest rates. In fact, since the 1990s the Finnish housing market has become more and more interest-rate sensitive. In 1994, about 70% of new mortgages were variable rate.

Since 2001, more than 90% of new mortgages issued every year have been at variable rates. The rise in interest rates on new loans in October 2008 up to 5.53%, following a spike in inflation due to rising food import prices, represented a severe shock to the housing market. Combined with the global recession, these hikes in rates soon set off a severe economic downturn which became evident in the Finnish economy in Autumn 2008. When in May 2009 the ECB lowered its base rate down to 1.00%, Finland's average new housing loan mortgage rates fell to 2.55%.

	EU27, 2009	Finland, 2009	Finland, 2008
GDP growth (%)	-4.2	-7.8	1.2
Unemployment rate (%)	8.9	8.2	6.4
Inflation (%)	1.0	1.6	3.9
% owner occupied	68.2	59.0	59.0
Residential Mortgage Loans as % GDP	51.9	58.0	47.5
Residential Mortgage Loans per capita, EUR thousand	12.37	18.61	16.67
Total value of residential loans, EUR million	6,125,727	99,118	88,367
Annual % house price growth	-6.8	-0.3	0.5
Typical mortgage rate (euro area), %	2.71	2.45	5.07
Outstanding Covered Bonds as % outstanding residential lending	23.2	7.7	6.5

Sources: EMF, EUROSTAT, ECB, Statistics Finland

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Finland= 2008

France

By Jean-Marie Gambrelle, Crédit Immobilier de France

Macroeconomic overview

The French economy entered the year 2009 with the unfavourable carry-over effect from Q4 2008, during which the worst economic crisis since 1929 started. The French GDP fell by 2.2% in real terms, following the slowdown of growth recorded in 2008 (0.4%).

The poor performance of the French economy was caused by the fall which took place in each segment of the private business sector, a strong decline in private investment (-8% in 2009 compared to 2008), a massive reduction in stocks and a decrease both in exports (-12.4%) and imports (-10.7%).

Contrary to firms' demand, final household consumption continued to increase, albeit moderately (0.6% in 2009 compared to 0.5% in 2008). This was due to a continued increase of 1.6% in household income in 2009 against 0.4% in 2008, and because of the inflation rate reaching a mere 0.1 % in 2009.

The number of employed in France decreased by 1%. Most of this decline in employment was recorded in the first half of the year, and the unemployment rate rose to 10% at the end of 2009 (9.5% on yearly average), against 8.2% at the end of 2008 (7.8% on yearly average).

Housing and mortgage markets

The number of building permits decreased by 17% (after a decline of 16% in 2008). The drop in building activity was heavier for apartments than for single -family houses; 299,000 dwelling units started is not probably sufficient to meet population growth, on the other hand rents were stable during the year and no remarkable rise was recorded as a result of this housing shortage.

The combination of economic crisis, rising unemployment and foreseen price decreases all contributed to the slowdown of the French housing market. The number of transactions for existing homes dropped by 12% (after a decrease of 14% in 2008) while the decrease in average national house prices in 2009 faced a 4.4% decrease (notably 5.6% in the Ile-de-France and 3.7% in the rest of the country).

In order to recover from the housing market downturn, at the end of 2008 the Government decided to help reduce the number of unsold homes, by supporting households wishing to buy a new dwelling (for rent or for personal occupation). The Government thus authorised the social housing firms to buy 30,000 dwellings from real estate developers.

As a result of this policy on the one hand and of the ECB interest rates' cut on the other, throughout the year of 2009 the number of sales of new dwellings increased by 34% compared to 2008 and the number of unsold dwellings for sale sharply decreased to 69,000 units from 111,000 recorded at the end of 2008. House prices started to rise again, concerning new apartments by 4.5% compared to 2008 and by 7% as regards new single family houses.

Gross residential lending fell by 15% (after a decrease of 17% in 2008) amounting to EUR 104 billion. However, on a quarterly basis the issuance of new mortgage loans followed a recovery trend for three consecutive quarters (from Q2 to Q4 2009).

The value of outstanding residential loans increased by 3.9% on the previous year (slowing down from the 8.9% growth recorded in 2008), resulting in EUR 738 billion.

Funding

On October the 30th, 2008, the European Commission authorised the French government to temporarily create a state-owned company (SFEF) which would have supported banks' funding up to a maximum total amount of EUR 265 billion.

At the end of the summer of 2009, when the SFEF closed its activity, the SFEF issuance amounted to EUR 77 billion.

	EU27, 2009	France, 2009	France, 2008
GDP growth (%)	-4.2	-2.2	0.4
Unemployment rate (%)	8.9	9.5	7.8
Inflation (%)	1.0	0.1	3.2
% owner occupied	68.2	57.4	57.4
Residential Mortgage Loans as % GDP	51.9	38.0	36.4
Residential Mortgage Loans per capita, EUR thousand	12.37	11.46	11.14
Total value of residential loans, EUR million	6,125,727	737,600	710,000
Annual % house price growth	-6.8	-4.4	-2.9
Typical mortgage rate (euro area), %	2.71	4.60	5.20
Outstanding Covered Bonds as % outstanding residential lending	23.2	23.9	22.5

Source: EMF, Eurostat, ECB, Banque de France

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

France= 2007

Germany

By Thomas Hofer, Association of German Pfandbrief Banks

Macroeconomic overview

From the second half of 2008 onwards, Germany also felt the impact of the worldwide economic downswing. The demand for capital goods, which make up a large portion of German exports, receded. German GDP fell in real terms by 4.9%.

As in previous years, private consumption recorded flat developments in 2009. Due to the extension of the generous wage support for underemployed people ("Kurzarbeitergeld") the economic crisis did not lead to significantly higher unemployment rates. The unemployment rate rose slightly from 7.3% in 2008 to 7.5% in 2009. Consumer prices increased by only 0.2% (in 2008 this was 2.8%).

Housing and mortgage markets

In 2008, investment in residential construction increased slightly (0.8%). In 2009, investments in residential construction slightly decreased (-1.1%). In recent years investment in housing was affected by several factors, for example households' ambition to meet tax deadlines[40], which resulted in housing demand being brought forward to 2006 thus having a negative impact on the following two years 2007 and 2008. Building permits fell in both these years, whilst in 2009 demand was not affected by such factors and the number of building permits rose somewhat by 1.9%. The number of transactions has been relatively stable for several years. In 2009 the number of transactions decreased slightly by 3.5% to 440,000 units.

House prices in Germany developed differently from house prices in most other European countries. The ability to gauge house price developments within the scope of the implementation of Basel II has become a major issue for the Pfandbrief Banks grouped in the Association of German Pfandbrief Banks (vdp). Together with its member banks, the vdp has set up a project aimed at producing property price indices for several regional and sectoral markets. Rent and purchase prices for individual properties as well as other price-determining factors are systematically collected in the vdp transaction database. On the basis of these data, hedonic methods are applied in order to produce property price indices. Starting from July the 1st, 2009, work on the transaction database was moved from the vdp to the newly-established "vdp Research". Finally, in February 2010, the new vdp price index for owner occupied houses was presented to the public.

With regard to measuring the developments in house prices, two quality-adjusted price indices over the period of 2003 to 2009 were produced for single family houses and apartments. Assuming 2003 as the base year, the figures show a price increase of 7% for single-family houses and 6% for apartments over the whole period. Time-series for both indices provide evidence of a recovery in 2008, which has turned into a sideways trend in 2009.

At the end of 2009 mortgage rates in Germany were lower than at the end of the previous year. The typical mortgage rate was 4.29%. Given a slightly lower demand for house purchases and renovation, gross residential lending declined by 5% in comparison with the previous year. Since repayments of existing loans equalled new lending business, the volume of outstanding residential loans remained almost unchanged compared to 2008 (with an increase of 0.1%). In 2009 outstanding loans amounted to EUR 1,147 million.

[40] For example, it was announced that the VAT in Germany would have been raised from 16% to 19% on January the 1st 2007, so that many housing starts were anticipated in 2006.

Funding

Germany has the largest covered bond market in the EU, accounting for 30.7% of the total market. The mortgage covered bond sub-sector is also very developed in Germany and accounts for 15% of the total EU market.

In 2009, Pfandbriefe were issued for a total value of EUR 110.4 billion (in 2008 the value was EUR 152.9 billion). Whereas Public Pfandbriefe with an aggregate volume of EUR 52.3 billion (89.5 billion in 2008) were sold. Mortgage Pfandbrief sales amounted to EUR 56.9 billion (57.3 billion in 2008). A total value of EUR 1.3 billion (6.1 billion in 2008) was issued. As repayments exceeded new sales, the outstanding volume of Pfandbriefe decreased to EUR 719.5 billion in 2009. Whereas the volume outstanding of Mortgage Pfandbriefe increased from EUR 217.4 billion to EUR 225.1 billion, Public Pfandbriefe declined from EUR 578.9 billion to EUR 486.4 billion. In 2009, Ship Pfandbriefe amounted to EUR 8.0 billion (in 2008: EUR 9.3 billion).

	EU27, 2009	Germany, 2009	Germany, 2008
GDP growth (%)	-4.2	-4.9	1.3
Unemployment rate (%)	8.9	7.5	7.3
Inflation (%)	1.0	0.2	2.8
% owner occupied	68.2	43.2	43.2
Residential Mortgage Loans as % GDP	51.9	47.6	45.9
Residential Mortgage Loans per capita, EUR thousand	12.37	13.99	13.93
Total value of residential loans, EUR million	6,125,727	1,146,969	1,145,404
Annual % house price growth	-6.8	-1.3	4.3
Typical mortgage rate (euro area), %	2.71	4.29	4.83
Outstanding Covered Bonds as % outstanding residential lending	23.2	19.6	19.0

Source: EMF, EUROSTAT, ECB, Federal Statistical Office Germany

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *The house price annual change data refers to the single-family house price index*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Germany=2002

Greece

By Theodore Mitrakos, Central Bank of Greece

Macroeconomic Overview

The Greek economy is currently facing its most severe fiscal adjustment challenge for many decades. Against market pressure, Greece needs to refinance sizeable debt as well as a large fiscal deficit. From this perspective, the Greek Government recently presented an ambitious new Stability and Growth Programme supported by the EU and IMF. This programme aims to bring the structural deficit down by over 10% points, to below 3% of GDP by 2014. The size of this fiscal adjustment corresponds to an average annual reduction in deficit of 3.2 %. The adjustment will need to focus on expenditure cuts by shrinking the role of the state, and on the revenue side by widening the tax base by reducing rampant tax evasion, raising the already relatively high tax rate levels and eliminating large exemptions. The request by the Greek Government for the activation of the EU/IMF financial support mechanism was accompanied by the announcement of a new set of strong measures amounting to a combined impact of 7.0% of GDP in 2010 and an estimated average annual fiscal adjustment for the years 2011-2014 of 1.5% of GDP each year. These supplementary austerity measures include the abolishment of the 13th and 14th months' salaries of civil servants (corresponding to Christmas, Easter and summer holiday allowances) with an additional cut on the remaining allowances by 20%, the abolishment of the 13th and 14th months' pension payments for all retirees and the imposition of an additional tax (with a progressive rate of 5% to 9%) for pensioners earning more than EUR 1,400, plus an additional 20% increase in VAT rates. Moreover, the civil servant wage and full economy pension will freeze until the conclusion of the consolidation programme.

In 2009, year-on-year real GDP growth rate decreased by 2.0% (-1.0% in Q1, -1.9% in Q2, and -2.5% in both Q3 and Q4). On average in 2009, private consumption fell by 1.8%, gross fixed capital formation by 13.9% (of which residential investment was -21.7%) and exports of goods and services by 18.1%. The negative effect of these developments was partly offset by the increase in government consumption by 9.6% and by the fall in imports of goods and services by 14.1%. In 2009, adverse developments in the global economy obviously had a negative effect on Greek exports of goods and services. In the domestic market, the slowdown in credit expansion to households and enterprises and the fall in confidence obviously had a negative effect on private consumption as well as on business and residential investment.

In Q1 2010, economic activity continued to contract (by 2.3% year-on-year), while the economy is expected to experience a deeper recession in the following quarters, with GDP recording a negative growth of 4% on yearly average in 2010. As regards 2011 forecasts, the Government, the European Commission, the ECB and the IMF expect a negative growth of 2.6%, while a recovery is projected for 2012 and after.

The unemployment rate remains on a sharply upward trend, climbing up to 12.1% in February 2010, while employment decreased by 1.9%, reflecting the ongoing weakening of demand in the key-sectors of economic activity such as retail and wholesale trade, business services and construction. The labour market is expected to remain under considerable strain in 2010 (the fall in total employment is expected to exceed 2%), boosting the average unemployment rate above 12%, with a further rise expected in 2011 (about 14%) and 2012.

Housing and mortgage markets

The positive growth rates recorded in residential property prices in Greece started decelerating at the beginning of 2007, and this trend continued until the end of 2008. Thereafter, and throughout 2009, growth rates in residential property prices turned negative for both "new" and "old" dwellings. On the basis of the data collected by the Bank of Greece, nominal prices for all types of apartments are estimated to have decreased by 3.6% in 2009 (in Athens by 4.6%) and 2.6% on a yearly basis in Q1 2010 (in Athens by 2.0%). This decrease was slightly larger for old apartments (4.5% in 2009) than for new ones (2.2%), which seems to reflect the relatively larger resilience of the new buildings` segment.

On the basis of available data, the Greek residential property market is characterised by a relative resilience of prices. At the same time, it is estimated that the Greek market does not exhibit any significant signs of overpricing, given that the residential price index to the index of rents (Price-to-Rent ratio) has been decelerating in the past three years. This was the result of the steady deceleration of growth rates in residential property prices after 2006, as well as of the relative stability of the increase in rents (the average annual national growth rate in rents was 4.5% in 2007, 3.9% in 2008 and 3.6% in 2009). The ratio of residential property prices to rents is expected to keep decelerating (albeit at a moderate pace) also in the coming quarters, leading to a further small drop of prices.

In the past two years, the Greek real estate market has been characterised by relative cautiousness from the demand side and some oversupply. Households are cautious because of the high uncertainty linked to employment conditions and future incomes, which is aggravated by the general economic outlook and the fiscal problems of the country. Furthermore, households expect that residential prices will drop in the future, which makes them postpone home purchase decisions. On the other hand, the current financial crisis has made banks be more cautious and selective in granting new housing loans, a factor which has also contributed in reducing demand for residential property.

On the supply side, the surplus that has been created in recent years seems to be gradually absorbed, despite the relative cautiousness from the demand side. The deceleration of private construction activity in 2007 and 2008 was much faster than the respective decrease in the number of transactions in real estate. The number of new building permits decreased by 5.3% in 2007 and 15.6% in 2008, against a decrease of 3.0% and 5.8% in the number of real estate bought or sold in the respective years. It should also be noted that, on the basis of permits issued, the volume of building activity decelerated by 5.0% in 2007, 17.1% in 2008 and 27.6% in 2009. It is estimated that the gradual absorption of excess stock in the real estate market was maintained also in 2009.

The number of transactions for the residential properties sector dropped by 36.0% in 2009, against a 21.7% decrease in 2008 (this data is collected by the credit institutions). The corresponding deceleration of both the volume index (39.3% in 2009, on the basis of total square meters) and the total value (40.4%) was slightly larger. The fact that the volume and the value of transactions dropped at a slightly faster rate than the number of transactions, reflects a shift of households towards smaller and lower-value apartments.

The construction confidence indicator (including both dwellings and other private and public construction) registered a 31.4% average annual decrease in 2009, compared to the average annual increase of 3% in 2008, 1.5% in 2007 and 44.6% in 2006. According to the survey carried out by the Bank of Greece in real estate agencies, conditions and expectations in the housing market reveal a slightly worse situation in Q1 2010. This slightly dimmer outlook seems to be related with uncertainty concerning changes in real estate taxation (e.g. objective values, tax brackets etc) as well as the overall economic situation of the country (fiscal difficulties, structural changes, etc). Together with the gradual normalisation of financial markets, the risk of a marked correction of prices in the Greek real estate market is removed, although the downward price pressure will most probably continue in the coming months. The intensity of this pressure will primarily depend on the general economic and financial conditions in Greece. The recovery of the real estate market in the coming quarters is directly linked to households' expectations about employment and future incomes, credit provision from the banking system and the general economic recovery. Clear signals coming from an effective handling of the fiscal and structural problems of the Greek economy will help warm up the real estate market. Lastly, the finalisation of pending issues relating to the taxation of real estate (objective values, tax brackets, taxation of large real estate, etc.) is also expected to lead to a reactivation of the housing market, as these issues affect both supply and demand for residential property.

Lending activity to businesses and households slowed down to 3.5% on a year-on-year basis in March 2010 from 4.2% in December 2009. In particular, lending to households continued at the same rate as in February, i.e. 2.7%, compared to 3.1%

in December 2009. There was a continuing slowdown of the growth rate in outstanding housing loans (March 2010: 3.5%, December 2009: 3.7%). Lending activity to the private sector is expected to remain very low over the comnig months and might possibly enter zero or negative territory, as the weakness of economic activity is dampening demand for loans. The main constraint, however, would be on financing lending activity and together with rising NPL ratios would probably lead to tightened lending criteria in the period ahead. However, the ECB's decision concerning collateral rules is a positive development.

Bank interest rates on loans, which on average had been rising until October 2008, started falling in November 2008 and have continued to fall until January 2010. In February and March 2010 there was a small increase in interest rates on all categories of loans to both businesses and households.

	EU27, 2009	Greece, 2009	Greece, 2008
GDP growth (%)	-4.2	-2.0	2.0
Unemployment rate (%)	8.9	9.5	7.7
Inflation (%)	1.0	1.3	4.2
% owner occupied	68.2	80.0	80.6
Residential Mortgage Loans as % GDP	51.9	33.9	32.5
Residential Mortgage Loans per capita, EUR thousand	12.37	7.15	6.93
Total value of residential loans, EUR million	6,125,727	80,559	77,700
Annual % house price growth	-6.8	-3.6	1.7
Typical mortgage rate (euro area), %	2.71	3.08	4.92
Outstanding Covered Bonds as % outstanding residential lending	23.2	8.1	6.4

Source: EMF, Eurostat, ECB, Bank of Greece, National Statistical Service of Greece

- ***Notes:***
- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Greece= 2009

Hungary

By József Hegedus, Managing Director, Metropolitan Research Institute

Macroeconomic overview

Hungary's accession to the European Union in 2004 bolstered the outlook for the economy. The residential debt to GDP ratio increased after 2004 as residential mortgage finance was fueled by cheap international credit (foreign currency-denominated loans were mainly in CHF and EUR). Foreign direct investment continued to flow to Hungary, which, thanks also to the increase in EU funds, provided their contribution to economic growth. Until September 2008 household consumption funded by loans had continued to increase, but at the same time industrial production, employment and exports were falling. The Hungarian economy was close to recession even before the credit crunch and this is why the global financial crisis hit Hungary the hardest among EU economies. A USD 25 billion agreement was signed with the IMF in 2008, because the Hungarian financial sector suffered when credits began to dry up in the middle of 2008. The government successfully decreased the budget deficit from 9.2 % to 4.0% of GDP from 2006 to 2009, and kept inflation under control at 4.0 % in 2009 (compared to 6.0 % in 2008). The Hungarian real GDP grew only by just 1.0% in 2007 and 0.6 % in 2008, but in 2009 it contracted by 6.3 %.

Housing and mortgage markets

The home ownership rate is relatively high in Hungary (around 92%). After the housing market slowdown at the end of the 1990s, from 2000 the mortgage market boosted partly because of the mortgage subsidies provided by the government, partly as a result of the available non-subsidised but cheaper foreign-currency loans. By 2009, the outstanding housing loans to GDP ratio in Hungary increased to 16.7% and the share of foreign-denominated loans rose to 60% of the total stock of housing loans. Moreover, from 2005 the volume of foreign currency denominated home equity loans increased rapidly, and by 2009 the total mortgage loans taken by the household sector (housing loans plus home equity loans) increased to 24% of GDP. Banks started to use financial intermediaries (i.e. brokers) from 2006. As a new phenomenon, after this period traditional mortgage loans were increasingly replaced by loans with real estate collateral used for consumption, and not for housing (through mortgage equity withdrawal).

Housing construction activity started to decrease in 2008 (from 36,159 housing completions in 2007 to 36,075 in 2008), and such slowdown continued in 2009 (down to 31,994 units), but it is expected that the cut will be much higher in 2010 as the number of building permits decreased by 35% between 2008 and 2009. There are other signs of difficulty in the construction sector as well, such as the stocks of unfinished buildings. It is expected that real fixed housing investment will fall further in 2010.

After October 2008 banks tightened their underwriting criteria; they restricted their LTV criteria and the client scoring, some banks even stopped issuing mortgage loans in underdeveloped areas (where house prices and the number of transactions are lower). The mortgage boom had an effect on house prices but did not lead to a speculative house price bubble. The year-on-year decrease in house prices between 2008 and 2009 was therefore 'only' 6.6% in nominal terms and 11.7% in real terms. Housing transactions decreased by 42% and housing construction by 11% between 2008 and 2009. The Hungarian government's response to the crisis focused on managing the fiscal deficit, which was a condition to get an IMF loan. The government drastically cut housing subsidies as part of the fiscal adjustment programme, under which both the interest subsidy and the homeownership down payment grants were suspended; the cuts were made effective as of the start of 2010.

On the other hand, the government introduced several programmes to soften households' conditions under the economic recession. The act on the Direct and Unconditional Surety Undertaken by the Hungarian State in relation to Mortgage Loans targets homeowners who are unable to service their mortgage payments due to unemployment or other temporary income shocks. Under this scheme, eligible borrowers can conclude so-called "bridging loans" with banks enabling them to redeem part of their mortgage instalments for a period of up to two years. Thus, the bridging loan backed by a state guarantee provides a breathing space to restructure their mortgage. However, the banks reacted to the government model by developing their own solutions: out of the 24,000 restructured loans, only 3,000 qualified for this government programme.

There were other initiatives aimed at easing the toughness of the economic crisis too. One of them was to set up a "crisis fund", to which well-off individuals and companies could contribute. The crisis management fund would provide one-off assistance to some 30,000 of Hungary's most disadvantaged families whose members had lost their job after October the 1st, 2008 or for whom the loan repayment instalments had increased by more than 20%.

The government also launched a temporary moratorium on evictions and suspended forms of foreclosure except for the judicial foreclosure until April the 15th, 2011. However, banks have put considerable effort into devising their own restructuring programmes in order to decrease the number of foreclosures (only mortgage brokers, who typically bought the stock of outperforming loans, were interested in continuing the foreclosures). The government launched another programme which offers preferential loans to local governments so that they can buy repossessed homes and let the original owner remain as a tenant in the property. Local governments have typically rejected this option, as there is no long-term guarantee that the central government will continue to support this newly-created rental stock.

In September 2009, banks adopted a Code of Conduct in compliance with government guidelines, in which they introduced more consumer-friendly procedures (e.g. putting an end to the practice of unilaterally changing loan contract conditions; giving defaulting borrowers 115 days to sell their home before foreclosing on it; improving the information given to borrowers, etc.). The government has strictly regulated the mortgage market since March 2010, by setting the maximum Loan-to-Value ratio for HUF-denominated loans at 70%, for loans in EUR at 60%, and for other foreign currency denominated loans at 45%.

Funding

Covered bonds are a common form of mortgage finance on the Hungarian market. According to the legal regulation covered bonds are issued by mortgage banks in Hungary. In 2009, the covered bonds issuance was EUR 3,209 million, the highest in the EU, and the total volume of covered bonds outstanding went at EUR 7,116 million. This means that almost 46 % of all mortgage loan portfolio is financed by covered bonds. This proportion is higher in the refinancing of HUF and lower in case foreign currency mortgage loans, as commercial banks have more often used their own funding sources in case of EUR and CHF loans.

	EU27, 2009	Hungary, 2009	Hungary, 2008
GDP growth (%)	-4.2	-6.3	0.6
Unemployment rate (%)	8.9	10.0	7.8
Inflation (%)	1.0	4.0	6.0
% owner occupied	68.2	92.0	92.0
Residential Mortgage Loans as % GDP	51.9	16.7	14.8
Residential Mortgage Loans per capita, EUR thousand	12.37	1.55	1.56
Total value of residential loans, EUR million	6,125,727	15,543	15,626
Annual % house price growth	-6.8	-6.5	1.0
Typical mortgage rate (euro area), %	2.71	10.70[41]	11.20[42]
Outstanding Covered Bonds as % outstanding residential lending	23.2	45.8	45.5

Source: EMF, Eurostat, ECB, Hungarian National Bank, Hungarian Statistical Office, National Census

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Hungary= 2003

[41] Loans issued in HUF, not subsidised.

[42] *Idem*

Ireland

By Tom O'Connor, Irish Banking Federation

Macroeconomic overview

In 2009 the adverse impacts of the global financial crisis and the downturn in the domestic property market were felt in the real economy. Although economic activity had declined in 2008, this trend accelerated in early 2009 before easing in the second half of the year. Real Gross Domestic Product declined by 7.5% in 2009 - the sharpest deterioration in economic performance in the recent history of the country.

Unemployment increased sharply particularly in early 2009. The number of unemployed doubled in the year to 267,000 or 13.2% of the labour force (11.9% on yearly average) from 8.5% at the end of 2008. One consequence of this was the return of net emigration for the first time since 1995.

Growing unemployment, falling wages across the economy and negative consumer sentiment were the main factors of the declining consumer prices in 2009 - the Consumer Price Index recorded an annual average inflation rate of -4.5% (while the Harmonised Consumer Price Index recorded an annual decrease of 1.7%). This deflationary trend contributed to further decline in wages in nominal terms over 2009 which has gone some way towards improving Ireland's cost competitiveness relative to the core European economies.

The performance of the export-oriented sector was relatively robust but this was mitigated by adverse movements in the EUR/GBP exchange rate given the prevalence of the UK as a trade partner. As an outward-oriented economy, a return to economic growth is substantially dependent on a recovery in the global economy, especially in the euro area, the UK and the USA. As a member of the euro area, Irish consumers and firms benefitted from the cuts in the ECB Main Refinancing Rate that resulted in a historic low of 1.00% from May 2009.

Housing and mortgage markets

Mortgage lending had been decelerating since 2007, and this trend continued in 2009. The global economic downturn combined with heightened employment uncertainty and falling property prices to significantly subdue consumer sentiment. As a consequence, the number of loans drawn down decreased to 45,818 mortgages at a value of over EUR 8 billion - 58.5% fewer loans than in 2008. First- and Subsequent-Time Buyers grew their share of the market steadily over 2009, reaching 70% in value terms in Q4 2009.

The decline in new mortgage lending occurred despite a notable improvement in affordability in terms of both repayments and purchasing costs, arising from the fall in ECB rates, and lower property prices, respectively. Repayments are estimated to have fallen by 14.6% over 2009 for a First-Time Buyer couple living in the capital, according to the EBS/DKM Affordability Index. However, with the heightened costs of funding and the significant number of borrowers on tracker-rate mortgages, some lenders increased their variable rate mortgages, albeit from historic lows. House prices fell by 18.5% at national level to an average of EUR 213,183, following a 9.1% drop in 2008. In Dublin, prices declined by 20.6% to EUR 278,767 while outside the capital the decrease was less pronounced at 15.3% reaching an average of EUR 189,643. Commensurate with the decrease in new lending, the level of residential mortgage debt outstanding declined by EUR 492 million (0.3%) in the year to a total of EUR 147.7 billion. This contrasts with the high level pattern of growth in net residential mortgage lending in the previous years.

The housing market continued to react to the decline in demand: the number of housing units completed in 2009 was 26,420, 49% less than in the previous year. A similar trend was observed from the volume of housing starts which declined at an even stronger rate, totalling just 8,604. The decline in housing construction has impacted significantly on the wider economy through the loss of employment and investment in the sector.

The changed employment environment negatively impacted on the financial situation of some mortgage-holders. The level of mortgage arrears on owner-occupied properties increased - 3.6% of mortgage accounts were more than 90 days in arrears by the end of 2009. The level of properties repossessed remained at a very low level however, with all mortgage lenders, including sub-prime mortgage providers, being in possession of less than 400 properties at the end of the year out of a total of 792,893 mortgage accounts. Extensive forbearance is being shown by mortgage lenders towards customers experiencing financial difficulties which were translated into low repossession levels by international standards.

Facilitating customers in financial difficulties was a focus of both policymakers and mortgage lenders in 2009. In February, the Financial Regulator published the Code of Conduct on Mortgage Arrears which set out that a mortgage lender must deal with each arrears case on an individual basis and work with the borrower to explore all viable options in formulating a plan to clear the arrears. The Code is heavily based on a pre-existing voluntary industry code but also prohibits a lender from initiating legal proceedings until six months have passed since arrears first arose. Mainstream mortgage lenders reinforced this commitment to helping borrowers in financial difficulties with the IBF Pledge to Homeowners to develop a sustainable arrangement with such customers and to monitor that arrangement thereafter.

The Government took a number of measures in 2009 to stabilise the financial system and to ensure a stable flow of credit to the real economy. One financial institution which had heavy exposure to the property development sector was nationalised, while two others were recapitalised by the Government in order to reinforce their position given the turmoil in global financial markets. A more targeted Guarantee Scheme was put in place to cover certain liabilities of financial institutions beyond the lifespan of the current scheme, which was due to end in September 2010.

Furthermore, the Government announced that the regulatory structure would be reformed and also the appointments of a new Central Bank Governor and Head of Financial Supervision. The Government also made significant progress in establishing the asset relief scheme, known as the National Asset Management Agency (NAMA) which would take on the impaired land and development loans of financial institutions at a significant discount in order to ease the balance sheet pressures and aid their access to funding and liquidity. A review of the taxation system, commissioned by the Government and published by the Commission on Taxation, advocated the implementation of a standing property tax which the Government would look to implement over the coming years.

The Irish economy is expected to return to growth in the second half of 2010 and it is anticipated that it will be some time after that before any pick-up in housing and mortgage market activity is observed.

Funding

As in other jurisdictions, international funding markets remained restricted for Irish mortgage lenders in 2009. Mortgage debt instruments were generally issued under the Government Guarantee Schemes and Covered Bonds put in another strong performance- the value of new issuances stood at EUR 14.8 billion, an increase of 56% from the previous year. The value of outstanding residential mortgage bonds was EUR 29.7 billion at the end of 2009.

In Ireland, there was a significant drop in the level of residential mortgage securitisation issuances in 2009 - EUR 5.5 billion compared to EUR 19 billion in 2008. The outstanding value of residential securitised debt stood at EUR 37.7 billion at the end of 2009, compared to EUR 34 billion a year earlier. Retail deposits showed a trend towards longer-term and demand-deposit accounts offering more attractive interest rates. Overall, Mortgage-Backed Securities account for 25.5% of mortgage funding while Covered Bonds comprise 17% of the market.

	EU27, 2009	Ireland, 2009	Ireland, 2008
GDP growth (%)	-4.2	-7.5	-3.0
Unemployment rate (%)	8.9	11.9	6.3
Inflation (%)	1.0	-1.7	3.1
% owner occupied	68.2	74.5	74.5
Residential Mortgage Loans as % GDP	51.9	90.3	81.5
Residential Mortgage Loans per capita, EUR thousand	12.37	33.18	33.65
Total value of residential loans, EUR million	6,125,727	147,654	148,115
Annual % house price growth	-6.8	-18.5	-9.1
Typical mortgage rate (euro area), %	2.71	2.61	4.33
Outstanding Covered Bonds as % outstanding residential lending	23.2	20.1	15.6

Source: EMF, Eurostat, ECB, Central Bank and Financial Services Authority of Ireland, Central Statistics Office, Department of the Environment, Heritage and Local Government, European Securitisation Forum, IBF/PwC Mortgage Market Profile, Ptsb/ESRI House Price Index

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Ireland= 2009

Italy

By Angelo Peppetti, Italian Banking Association

Macroeconomic overview

In 2009, Italy's GDP fell by 5% in real terms (by 1.3% in 2008): this was the worst fall since the Second World War. In Italy, as in the other advanced economies, real GDP figures showed signs of recovery on a quarterly basis in Q3 2009 (0.4%), after falling for five consecutive quarters; however, in Q4 2009 a new, slight contraction was recorded (-0.1% quarter-on-quarter, -2.8% year-on-year).

In 2009, the industrial production index recorded an average year-on-year fall of 18.3% (-3.8% in 2008); however, in Q4 2009, this downward trend slowed down in December, when the fall was of 5.8%.

The second half of the year showed signs of a moderate recovery, resulting particularly from a gradual improvement in exports which was driven by a pick-up in international trade. Although the fall in exports of goods and services worsened compared to the previous year (-19.1%, after 3.9% in 2008), the downturn recorded in the first half of the year was followed by a recovery in the second half which, albeit modest, contributed to the recovery of GDP.

The downturn in exports was recorded for all sectors: concerning capital and intermediate goods, it was particularly noticeable for the automotive and mechanical sectors and metal products, while as regards consumer goods, the most traditional sectors (textile and clothing, leather and footwear, furniture and wood products) were the most badly hit. The recovery over the second half of the year (2.1%) was limited to chemicals and pharmaceuticals, metal products and transport.

Fixed gross investments recorded a downturn of 12.2%. The decrease affected both investments in construction (-7.9%) and in machinery and equipment, transport and intangible goods (-16.6%).

The fall in investments in construction was a reflection of the downturn in the residential subsector (-9.2%). During 2009, the downturn of the real estate market however, showed signs of slowing down in the radical fall.

In 2009, average yearly inflation dropped to 0.8% (from 3.5% recorded in the previous year). The sharp fall in prices of imported goods and services (-14.5%) was the main factor behind these moderate developments in the inflation rate.

In 2009, the average unemployment rate reached 7.8% (6.7% in 2008).

Housing and mortgage markets

In 2009, the Italian residential real estate market recorded 609,145 transactions, which represented a fall of 11.3% compared to 2008, when 686,587 sales were concluded.

House prices, which fell by 0.5% in the first six months of 2009, recorded no change in the following six month period.

The value of outstanding residential mortgages rose from EUR 307,832 million in 2008 to EUR 330,585 million in 2009, with a year-on-year increase of 7.4%, which was significantly higher than the increase recorded in 2008 (1.2%). In 2009, net residential lending amounted to EUR 22,753 million, with a year-on-year increase of 530.5%; while gross residential lending amounted to EUR 75,292 million, which represented a decrease of 13.2% on the previous year.

In 2009, interest rates on new variable-rate mortgages for the purchase of a residential property fell significantly, reaching 1.72% at the end of the year. This substantial decrease was in line with the reference rate (usually the 3-month Euribor). As regards new fixed-rate mortgages with maturities exceeding ten years, the interest rate reached 4.9% at year-end, a fall of 0.3% on the previous year which was in line with the fall of the reference rate (usually the 10-year IRS).

In 2009, the Italian Banking Association launched a scheme aimed at supporting residential mortgage borrowers, in the form of a temporary moratorium of mortgage instalments. The latter measure is part of a more general programme for households, called the "Household Plan" (Piano Famiglie).

In short, the instalment moratorium scheme applies to:

- mortgage payments suspended for at least 12 months;
- mortgages up to EUR 150,000 for purchasing, building or renovating the primary home;
- borrowers with a taxable annual income of up to EUR 40,000;
- borrowers who have been affected by particularly unfortunate events in the two-year period from 2009 and 2010 (job loss, condition of non self-sufficiency, inclusion in the temporary redundancy scheme).

The above represent the minimum requirements of the scheme to be applied by member banks that wish to apply it, although each bank is free to offer its customers better conditions.

Funding

As regards the securitisation of loans related to mortgage loans, in 2009 the total value of transactions amounted to EUR 53,166 million representing a fall of 30.9% compared to 2008 (EUR 75,735 million).

As for covered bonds, in 2009, covered bonds were issued for an amount of EUR 7,500 million, which is an increase of 36.4% compared to the previous year (EUR 5,500 million in 2008).

	EU27, 2009	Italy, 2009	Italy, 2008
GDP growth (%)	-4.2	-5.0	-1.3
Unemployment rate (%)	8.9	7.8	6.7
Inflation (%)	1.0	0.8	3.5
% owner occupied	68.2	80.0	80.0
Residential Mortgage Loans as % GDP	51.9	21.7	19.8
Residential Mortgage Loans per capita, EUR thousand	12.37	5.51	5.16
Total value of residential loans, EUR million	6,125,727	330,585	307,832
Annual % house price growth	-6.8	n/a	1.3
Typical mortgage rate (euro area), %	2.71	1.72	6.29
Outstanding Covered Bonds as % outstanding residential lending	23.2	4.2	2.1

Source: EMF, Eurostat, ECB, Bank of Italy, Nomisma

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Italy= 2002

Latvia

By Katalin Dobranszky-Bartus, EMF

Macroeconomic overview

As in each European country, the economic downturn impacted the Baltic economies extremely severely in 2009. Within the Baltic region, Latvia is even more sensitive to the changes in the international economic environment than the other countries. This is evident in the volatility of real GDP growth over the years. Since 2002 and until the end of 2007, Latvia demonstrated the highest GDP growth rate in Europe, and by the end of the period it reached 12% in 2006 and 10% in 2007. This impressive growth was supported by the jump of real estate prices and the excessive increase in private consumption demand. In 2008 there was a dramatic u-turn in GDP growth rate (i.e. it became negative by 4.6%) which worsened in 2009 to reach its lowest level of -18%. The main cause was a slowdown in lending that started in early 2007, driven by concerns among foreign banks about their overexposure to the Baltic countries. As a consequence, consumption and investment fell. Manufacturing output also sharply dropped due to weaker external demand. Wage growth started to decelerate and employment started to decline. In the EU, Latvia had the second highest unemployment rate in 2009, reaching the tremendous figure of 17.1%.

Changes in the inflation rate showed an interesting picture during the last years. After the 2007-2008 two-digit HICP figures (i.e. 10.1% and 15.3% respectively) the inflation rate went back down to 3.3% in 2009. The interest rates set by the Latvian Central bank followed the expected European trend. After the growth of interest rates until mid-2008, there was a cut back in 2009 from 6% to 4% in order to mitigate the negative effects of the crisis .

Housing and mortgage markets

The economic crisis was reflected in the real estate and housing market as well, showing a dramatic picture. The quick decrease in the price of apartments that started in 2008 (by 35%) continued in 2009, and reached the trough in September 2009, amounting to an average price of EUR 486.3 per square meter, which is 70% (74.8% in real terms) less compared to the peak of June 2007. The Ober-House Real Estate company claimed that prices started to increase in Q4 2009, and by the end of the year they reached EUR 494 per square meter. As for the demand side, a wave of Russian investors known for their faster decision-making skills in comparison to their Scandinavian counterparts of previous years, have caused slight market acceleration.

The rapid expansion of Latvia's mortgage market over the past years was propelled by low interest rates and the entry of foreign banks. The pace of the mortgage market`s growth was amazing - housing loans outstanding expanded by almost 90% annually from 2004 to 2006. Despite early signs of trouble in 2007, the mortgage market nevertheless grew by 44% during that year. Total mortgage debt rose from less than 2% of GDP in 2000, to 31.7% of GDP in 2007. It was not until 2008 that mortgage market growth grinded to a halt; down to 7.3% in 2008 before contracting by 4.5% in 2009. With the economy contracting at a faster rate, the ratio of housing loans to GDP still increased, up to 36.6% of GDP in 2009. Total residential loans amounted to EUR 6,866 million, i.e. 4.5% less than in 2008, but still more than in 2007 (by 2.5%). The residential mortgage debt per capita showed similar developments and decreased by 3.5% to EUR 3,040.

Representative interest rates on mortgage loans were very sensitive due to the fact that the Latvian Lat has been pegged to the EUR. Most mortgage loans are either fully granted at floating rate or granted for one year at fixed rate and then granted at floating rate, and around 40% of all loans were denominated in the domestic currency. Due to the peg pressure, when the ECB started to raise the interest base rate in 2007 it provided an upward pressure on the average LTL-denominated mortgage interest rates which since then, remained above 10%. Even when the ECB lowered its policy rate, and reached its historical low of 1%, the Latvian mortgage interest rates moved around 15% in the first half of 2009, leading to the bankruptcy of some borrowers.

Most of the market actors have decided to wait and see. Many buyers are waiting for an even bigger price fall; sellers are waiting for a new price increase, but developers of new projects have frozen or postponed any planned projects until the situation in the real estate market stabilises. The total dwelling stock has remained substantially unchanged since 2008 (61,117 square meters). This is well reflected in the sharp decrease in the number of housing completions (i.e. 4,187 in 2009) and the number of building permits (i.e. 2,663) granted in 2009, which fell by 48% and 41% respectively. In the housing and real estate market, the number of transactions also fell in 2008, as, the number of detached house and flat transactions fell by 32% to 18,914 units (there is no data for 2009).

Funding

Mortgage funding in Latvia is deposit and liability based. Major sources of bank funding are liabilities to banks (42% of total assets), mainly to the parent banks (31% of total assets), and deposits (42% of total assets). Developments in funding follow the decreasing trend of the total outstanding loans: in 2009, total outstanding covered bonds amounted to EUR 85 million, 5% less than in the previous year. Covered bonds backed by mortgages, which account for 100% of total covered bonds in Latvia cover roughly 1.2% of the outstanding residential lending. There was no new covered bond issued in 2009.

	EU27, 2009	Latvia, 2009	Latvia, 2008
GDP growth (%)	-4.2	-18.0	-4.6
Unemployment rate (%)	8.9	17.1	7.5
Inflation (%)	1.0	3.3	15.3
% owner occupied	68.2	87.0	87.0
Residential Mortgage Loans as % GDP	51.9	36.6	31.0
Residential Mortgage Loans per capita, EUR thousand	12.37	3.04	3.17
Total value of residential loans, EUR million	6,125,727	6,866	7,188
Annual % house price growth	-6.8	n/a	-18.4
Typical mortgage rate (euro area), %	2.71	4.52	6.77
Outstanding Covered Bonds as % outstanding residential lending	23.2	1.2	1.3

Sources: EMF, Eurostat, ECB, Bank of Latvia, Central Statistical Bureau of Latvia

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Latvia=2007

Lithuania

By Jonas Grincius, Parex Bank

Macroeconomic overview

During 2009 the Lithuanian economy experienced a serious recession. In the first half of 2009 the economy went into freefall with GDP decline of 16.6% after Q2. During Q3 and Q4 the situation somewhat improved and the annual real GDP decreased by 15% in 2009.

One painful effect of the economic downturn was a decrease in wages and an increase in unemployment. In Q4 2009 salaries and wages went down by 8.7% year-on-year. The number of full time employees declined by 15% and the drop in monthly wages was 22.3%. During the year 2009 the unemployment rate rose to an average of 13.7% from 5.8% in 2008. The largest number of lay-offs occurred in the first half of 2009, while in the second half of 2009 this number subsided.

Inflation in 2009 dropped significantly compared to 2008, the respective figures being 4.2% and 11.1%. The main reasons are depressed domestic markets with no boost for demand, while expensive electricity and rising global oil prices pushed costs upwards, which only partly offset the depressed domestic economic environment.

Interbank interest rates continued to decline in 2009 as the result of the decreased risk premium of the national currency and oversupply of LTL in the money market. Average interest rates on LTL loans were 8.14% in 2009 while in 2008 this figure was 10.08%. The risk of destabilisation in the national monetary system and the speculative attacks on LTL are now considered to be over, and the gradual economic recovery should enhance confidence in the national currency.

Housing and mortgage markets

The percentage of owner-occupied dwelling stock remained at the level recorded in 2008, i.e. around 97%. The economic downturn had dramatic effects on the real estate and housing market. Real estate developer Ober-Haus claims that real estate prices fell by 30% over the course of 2009, with a 23% decline in the first half of the year. Despite the fact that real estate prices in Lithuania are still roughly 20% higher compared to Latvia and Estonia, some construction companies had already started to increase prices of most attractive properties by the end of 2009.

Excess supply of newly-built flats is still quite notable in Lithuania, for example in the capital Vilnius, where the number of new unsold apartments stands at around 2,200 units, which is a relatively high figure for a city with half a million inhabitants. It is expected that property prices will stabilise during 2010, provided that the pace of the economic recovery remains similar to that recorded in the second half of 2009. Most likely, newly built property will slowly appreciate while old dwellings are still expected to record slight price decreases.

Outstanding loans to households for house purchase decreased in value by 0.5% in 2009 and reached EUR 6,032 million at the end of year. This can be compared to an impressive growth of 23.5% last year. Total residential mortgages accounted for almost 23% of Lithuanian GDP at the start of 2010, representing a 3% increase, due to the contraction of nominal GDP.

At the trough in real GDP decline that was recorded in Q2 and Q3 2009, the majority of banks had almost stopped issuing mortgages. Only in Q4 2009 some signals of mortgage financing revival were observed. Interest rates for loans for home purchase generally decreased in 2009. The weighted average interest rate on EUR- denominated loans to households for house purchase was 3.52% in December 2009 (4.01% on loans with initial fixed-term); the respective rate was 5.69% in December 2008. The interest rate has also increased on LTL-denominated mortgage loans. The weighted average interest rate on LTL-denominated loans to households for house purchase was 7.37% in December 2009, while the respective rate was 8.25% in December 2008.

Funding

In 2009, the amount of deposits increased by 8.3% (equal to an increase of EUR 869 million), reaching EUR 11.4 billion, accounting for 51% of all outstanding mortgage debt at the end of 2009 (10.5 billion and 46% at the end of 2008 respectively). Given the oligopolistic banking market in Lithuania, with a handful of foreign banks holding the largest share of the market, it seems that deposits and funds from parent banks were the main funding sources for lending activity in general and mortgage lending in particular.

	EU27, 2009	Lithuania, 2009	Lithuania, 2008
GDP growth (%)	-4.2	-15.0	2.8
Unemployment rate (%)	8.9	13.7	5.8
Inflation (%)	1.0	4.2	11.1
% owner occupied	68.2	97.0	97.0
Residential Mortgage Loans as % GDP	51.9	22.6	18.8
Residential Mortgage Loans per capita, EUR thousand	12.37	1.80	1.80
Total value of residential loans, EUR million	6,125,727	6,032	6,060
Annual % house price growth	-6.8	n/a	n/a
Typical mortgage rate (euro area), %	2.71	4.01	5.45
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Sources: EMF, Eurostat, ECB, Bank of Lithuania, Statistics Lithuania

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Lithuania= 2008

Luxembourg

By Alessandro Sciamarelli, EMF

Macroeconomic overview

As all other European economies, Luxembourg was adversely affected by the international financial and macroeconomic turmoil during 2009. Real GDP recorded a recession for the first time since 1981, falling by 3.4% (the 2008 figure having been revised upward to 0.0%, formerly -0.9%). The dramatic decrease in gross fixed investment (-14.9%) was behind this performance. In addition, exports, which play an essential role in the country`s small, open economy - linked very much to the German and French economies - recorded a significant downturn (-13.1%). The only slightly positive contribution to GDP growth came from private consumption (0.3%). The current account balance improved compared to 2008 and recorded a surplus of 5.6% of GDP (5.3% in 2008).

Inflation remained flat as a consequence of the weak economic activity, after the peak in 2008 (4.1%). Despite overall adverse macroeconomic conditions, the unemployment rate rose moderately (from 4.9% to 5.4%), and total employment recorded another positive annual growth rate over the previous year (by 0.9%), albeit slowing down from 2008 (4.7%). Public finances deteriorated as a consequence of the GDP recession and the deficit to GDP ratio turned negative for the first time since 2004 (-0.7%), however well below the 3% ceiling imposed by the Maastricht Treaty. At the same time government debt reached its peak since 1972 (14.5% of GDP).

Housing and mortgage markets

Residential construction in Luxembourg was only partly affected by the unfavourable macroeconomic environment, and available indicators seem to show that both housing supply and housing demand recorded a slowdown rather than a fall which is comparable to those recorded in other EU markets.

The number of residential building permits declined by 8.0%, representing a slowdown from the 18.6% fall recorded in 2008 after the peak in residential construction activity of 2007 (4,934 units). Yet, according to national accounts data, real fixed residential investment in values recorded a booming performance (28.6%). Data on housing completions was not available for 2009 and 2008. On the demand side, house prices fell by 2.1% after the 2.7% increase recorded in 2008.

Outstanding mortgage lending reached EUR 15.8 billion, which represented an increase of 6.3% on 2008 (a slight slowdown after 7.6% in the previous year). Mortgage interest rates went down to a historical low of 2.03% as a result of the continued expansionary monetary policy within the euro area.

Funding

While in 2009 outstanding covered bonds accounted for 1.0% of outstanding residential lending and reached EUR 150 million, no outstanding covered bonds were recorded in 2009 in Luxembourg. Equally, no mortgage covered bonds and MBS were issued in 2009.

	EU27, 2009	Luxembourg, 2009	Luxembourg, 2008
GDP growth (%)	-4.2	-3.4	0.0
Unemployment rate (%)	8.9	5.4	4.9
Inflation (%)	1.0	0.0	4.1
% owner occupied	68.2	75.0	75.0
Residential Mortgage Loans as % GDP	51.9	42.0	37.9
Residential Mortgage Loans per capita, EUR thousand	12.37	32.10	30.79
Total value of residential loans, EUR million	6,125,727	15,842	14,901
Annual % house price growth	-6.8	-2.1	2.7
Typical mortgage rate (euro area), %	2.71	2.03	4.22
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	1.0

Source: EMF, Eurostat, ECB, Central Bank of Luxembourg, Statistics Luxembourg

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Luxembourg= 2008

Malta

By Peter Sant, Bank of Valletta

Macroeconomic overview

During 2009, the Maltese GDP contracted by 1.9% in real terms. After this negative growth rate recorded in 2009, the economy is expected to grow by 3.4% in 2010. According to the Labour Force Survey, at the end of 2009, the number of employed amounted to 162,918 and the number of unemployed amounted to 13,022. The unemployment rate at the end of 2009 was 7.4% (6.9% on yearly average). In Q1 2009, the average inflation rate measured as HICP amounted to 4.6%, and then decreased to 1.8% in the last quarter of the year.

Housing and mortgage markets

As of the end 2009, total lending for house purchases amounted to EUR 2,458 million (EUR 2,220 million in 2008) which is an increase of EUR 238 million or 10.7%. Mortgage lending is mostly financed through bank deposits. The loan to deposit ratio of Maltese banks is 75% on average. According to the Central Bank of Malta's index of residential property prices, average property prices in 2009 on average were 5% lower than in 2008, reflecting the more pronounced contraction in the housing market which was recorded in the first half of the year. By contrast, the relatively modest fall in the property index towards the end of 2009 suggests that the negative trend in prices appears to have bottomed out and the residential property market stabilised. As regards single housing demand segments, during 2009 the price of apartments decreased by 0.5%, the price for maisonettes decreased by 3.3% and the price of terraced houses increased by 1%.

Concerning housing construction, the Malta Environment and Planning Authority recorded the issuance of permits for 4,616 apartments, 400 maisonettes, 182 terraced houses and 100 other types of residential dwellings.

The average interest rate on loans for house purchase increased from 3.30% recorded in January 2009 to 3.52% registered in December 2009.

Funding

All mortgage loans originated by commercial banks are funded through retail deposits or internal lending in the case of multinational banking groups based in Malta. In 2009, the loan to deposits ratio amounted to 75%.

	EU27, 2009	Malta, 2009	Malta, 2008
GDP growth (%)	-4.2	-1.9	2.1
Unemployment rate (%)	8.9	6.9	5.9
Inflation (%)	1.0	1.8	4.7
% owner occupied	68.2	75.0	75.0
Residential Mortgage Loans as % GDP	51.9	43.0	39.0
Residential Mortgage Loans per capita, EUR thousand	12.37	5.94	5.41
Total value of residential loans, EUR million	6,125,727	2,458	2,220
Annual % house price growth	-6.8	-5.0	1.0
Typical mortgage rate (euro area), %	2.71	3.52	3.30
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Source: EMF, Eurostat, ECB, Central Bank of Malta, MEPA (Malta Environment and Planning Authority)

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Malta= 2006

The Netherlands

By Marja Elsinga, Delft University of Technology

Macroeconomic overview

In 2009, the financial crisis affected the real Dutch economy severely. GDP declined by 4.0% resulting in the worst performance since the end of World War II. This decline is comparable to the EU27 figure for 2009 (-4.2%). After the two golden years of 2006 and 2007, when GDP increased by around 3.5% annually, the current crisis is a disillusionment. The dramatic decline of GDP has not (yet) affected the unemployment figure severely. Although the unemployment rate has risen in the past year, on average in 2009 it still was one of the lowest in the EU: 3.4%. Partly, the low unemployment rate may be attributed to the measures undertaken by the government during the crisis, such as the introduction of part-time unemployment benefits, a temporary measure that runs until January the 1st, 2011. This regulation implies that companies which qualify for this scheme let their employees work less and pay less, while the government provides additional income. Such measures may not be extended as the government desperately seeks budget cuts, because crisis measures and bank rescues have already cost many billions. General unemployment is expected to increase in the near future.

Housing and mortgage markets

The share of home ownership in the Netherlands in 2009 is well below the EU average (57.2% according to latest available data from 2008). Nevertheless, home ownership ratio has continued to increase in the past decades from around 40% in 1980 to 57% in 2008. Especially after the end of the large-scale subsidies` regime to the social rental sector and stricter distribution of social rental dwellings, many households turned to the owner occupied sector. Part of this demand for owner occupation was also stimulated by increased prosperity of the middle classes while the government stimulated the introduction of mortgage guarantees. Furthermore, the full mortgage interest tax relief (MITR) on owner occupied homes has been entirely maintained although some measures were introduced in 2001 in order to curb the use of MITR on second homes and equity release for consumptive purposes.

The rental sector is dominated by the housing associations. Although the market share of the housing associations has steadily declined, it is still the largest in Europe accounting for about 32% of the total dwelling stock in 2008 and 2009. The private rental sector has a relatively small market share in the same two years at about 10% of the total dwelling stock. Institutional investors, like pension funds and insurance companies, own about half of the private rental sector. Small companies and/or private persons own the second half.

While in many countries house prices surged well above 10% annually in the 2000s, Dutch house prices increased at a much lower rate. Part of the reason is that Dutch house prices already experienced a hike in the 1990s, fuelled by a decline of mortgage interest rates. After a small increase in 2008, the average house price declined in 2009 by 6.5%. The decline was not as dramatic as in some other countries because of persistent pressures on the housing market: demand has always outperformed supply in the past decades. The government-backed Mortgage Guarantee for house purchases up to EUR 265,000 also played an important role. First-time buying households can still get a 100% Loan-to-Value (LTV) ratio and the data by the Kadaster (National Land Registry) show that young first-time buyers are still quite active on the housing market[43]. Furthermore, a special temporary crisis measure was introduced which raised the Mortgage Guarantee threshold to EUR 350,000 until January the 1st, 2011 in order to stimulate house purchases by existing home owners[44]. However, housing market activity in the existing dwellings` segment has declined substantially: from around 200,000 transactions in 'normal' years to 127,500 in 2009. The housing market crisis in 2009 is also clearly noticeable in the volume of new mortgage lending in 2009.

The majority of new dwellings are built in the owner occupied sector (which account, on average, for about 75% of the annual total new residential construction). Self-promoted building has a very small market share. The Dutch residential construction sector limits its risk by starting its construction sites after 70% of the whole project has been sold. After the fall of the Lehman Brothers in Q3 2008, sales of new dwellings declined, but many of the previously sold dwellings were still under construction, which guaranteed the construction companies enough work for the coming year. This is why the actual number of completed dwellings in 2009 remained substantially stable. However, as the sales of new dwellings remained low, eventually the construction industry will be confronted with a smaller workload. In 2009, the government introduced schemes worth about half a billion EUR aiming at reviving a number of high- potential housing developments.

A last theme that relates directly to the crisis is the concern for households that run into financial troubles and into mortgage arrears. However, long-term unemployment is still relatively low while mortgage interest rates have not risen because of the ECB expansionary monetary policy: representative mortgage interest rates on new loans were at 5.27% at the end of 2008 versus 5.37% at the end of 2009[45]. Moreover, the Mortgage Guarantee includes a payment protection scheme against the loss of income for a maximum of three years, by which the Mortgage Guarantee Institute (WEW) pays the mortgage installments. The mortgagee has to repay the WEW however. So far, the WEW reports that only a couple of households have used the payment protection scheme as arising financial problems were usually fugitive[46]. In case the problems are severe, payment protection is unfit and repossession is unavoidable. The number of house auctions has increased in 2009, but the total number sold this way is 'only' 2,256 units[47]. A decisive factor behind the low number of repossessions is the Dutch social security system, which provides income replacement rates up to 70% during the first years of unemployment: if households avoid long-term unemployment they are relatively safe. This is reinforced by the fact that about 75% of mortgagees have long-term fixed rate contracts that 'insure' them against upward interest rate shocks[48]. Dutch mortgage lenders, who hold more than 85% of the domestic mortgage market[49], have never provided subprime loans. This behaviour was supported by a code of conduct, signed by the financial institutions, which discouraged overindebtness[50].

While the owner occupied sector is relatively small, the value of outstanding residential mortgage loans rose to around 106% of GDP in 2009. Three factors contribute to this (apparently) excessive borrowing by Dutch owner-occupiers. First, the housing market is still tight so households are willing to take out the maximum loan in order to 'compete' on the housing market. Secondly, because of the MITR households can take out much higher loans than they could without this scheme. Thirdly, high LTV ratios are still possible because of the government-backed Mortgage Guarantee. Furthermore, MITR stimulates people not to repay their mortgage annually, but as a lump sum at the end of the duration. For this purpose, a repayment vehicle is connected to the mortgage contract, typically in the form of a life insurance product. The Central Bank statistics do not distinguish between mortgage repayment vehicles and normal life insurances, but a substantial share of this EUR 243 billion value – i.e. the value of life insurances - should logically be related to mortgage repayment vehicles.

[43] See Kadaster (Land registry and mortgage contract registry), based on monthly data (in Dutch: *Vastgoedbericht*).

[44] WEW (Mortgage Guarantee Institute) Press release, 1 July 2009.

[45] See DNB (Dutch National Bank), on its statistics section: table 1.2.2 on interest rates and loan volumes by duration.

[46] See WEW (2009) Annual report Mortgage Guarantee 2009 (Jaarverslag Nationale Hypotheek Garantie 2009)

[47] Kadaster, Real Estate Report, July 2010.

[48] See DNB, *cit.*.

[49] See ECB (2009) Housing Finance in the Euro Area. Occasional paper series 101, march 2009. ECB, Frankfurt am Main.

[50] See Contactorgaan Hypothecair Financiers, "Code of Conduct on Mortgage Credit" , available at www.nvb.nl

Funding

The securitisation of mortgages via Special Purpose Vehicles (SPV) played an increasing role in the Dutch financial sector. Figures from the Dutch National Bank show a rapid increase from the total outstanding amount of EUR 1 billion in 1996 to EUR 191 billion in 2009[51]. Securitisation in 2009 accounted for 32% of all outstanding mortgages. The other outstanding mortgages are granted by MFIs (62%) and insurers/pension funds (6%)[52] (8). A great part of the mortgage debt has been securitised in the past years. It appears that MFIs are less prone to keep mortgages out of their balance sheets: from 2002 to 2009 the value of outstanding mortgages held by MFIs increased from EUR 276 billion to EUR 376 billion while in the same period the value held by the insurers decreased from EUR 44 billion to EUR 25 billion[53]. There is no reason to presume that the insurers have withdrawn from the healthy Dutch mortgage market in this timeframe, so logically they have been more active in a process of securitising mortgage debt. MFIs such as the Rabo Bank and ING Bank prevail in the Dutch mortgage market and appear to rely more on saving deposits than on securitisation for funding their mortgage loans.

	EU27, 2009	Netherlands, 2009	Netherlands, 2008
GDP growth (%)	-4.2	-4.0	2.0
Unemployment rate (%)	8.9	3.4	2.8
Inflation (%)	1.0	1.0	2.2
% owner occupied	68.2	57.2	57.2
Residential Mortgage Loans as % GDP	51.9	105.6	98.9
Residential Mortgage Loans per capita, EUR thousand	12.37	36.53	35.94
Total value of residential loans, EUR million	6,125,727	602,192	589,532
Annual % house price growth	-6.8	-6.5	2.7
Typical mortgage rate (euro area), %	2.71	5.37	5.27
Outstanding Covered Bonds as % outstanding residential lending	23.2	4.7	3.6

Source: EMF, Eurostat, ECB, IMF, Dutch National Bank, National Statistics Bureau , Kadaster (National Land Registry)

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Netherlands= 2008

[51] See DNB on the statistics section (Table 1.11 on household debt and assets). Please note that this amount does not include synthetic securitisation against default swaps.

[52] *Ibidem.*

[53] *Ibidem.*

Poland

By Agnieszka Nierodka, Mortgage Credit Foundation

Macroeconomic overview

Despite a considerable slowdown in 2009, Poland was less affected by the global recession than other countries. Real GDP growth in 2009 reached 1.7% and was the lowest level of economic growth since 2002. On the other hand, in 2009 Poland was the only EU Member State which recorded a positive GDP growth, that was mainly driven by final household consumption (which increased by 2.5%) and external demand (2.5%).

At the end of 2009, the unemployment rate amounted to 11.9%, for an average annual value of 8.2% (corresponding to an increase of 1.1% compared to 2008). The increase of the average real gross wages in the private sector was 1.9%.

Inflationary pressure in 2009 was moderate: the average annual inflation rate reached 4.0% (4.2% in 2008). By December 2009 the inflation rate was 3.5%. The monetary policy of the National Bank of Poland was less restrictive than in previous years, and the policy rate was lowered to 3.5% at the end of the year.

Housing and mortgage markets

In 2009, the performance of the Polish construction sector was influenced by the global financial crisis to some extent. The number of building permits issued in 2009 amounted to about 179,000 units (representing a 22% decrease in comparison with 2008) and about 143,000 dwellings were under construction (which represented a 18% decrease on 2008). More than 160,000 dwellings were completed in 2009.

Particularly in the first half of 2009 a moderate decrease in property prices was recorded – mainly in major cities. Over the second half of the year this downward trend stopped mainly due to the fact that the banks loosened their lending criteria (which had been tightened since Q3 2008). Since then, property prices stabilised and no sharp increases are expected in the near future. The limited availability of housing remains a problem for the average Polish homebuyer – the number of square meters available for buying for an average monthly salary ranged from 0.42 to 0.46.

At the end of 2009 there were nearly 1,375,000 residential mortgage loan contracts outstanding (compared to around 1.3 million agreements at the end of 2008). About 188,000 new residential mortgage loan contracts were granted in 2009, a decrease of almost 35% in comparison with 2008. At the end of the year, outstanding residential debt amounted to PLN 236 billion (equal to an increase of 10.5% in comparison with December 2008), which corresponded to nearly EUR 57 billion (equal to a flat increase on December 2008). The new trend in 2009 was driven by a growing demand for domestic currency-denominated loans – i.e. 72% of new loans were PLN-denominated, while the CHF-denominated share decreased considerably from 68.6% to 17.2%, but the EUR-denominated loans became more and more popular – moving from 0.4% of new loans in 2008 to 9.2% in 2009.

During 2009, lending policy was generally still tighter than in the lending boom years, and the share of high LTV loans sharply decreased. The majority of loans had LTVs between 50 and 80% (corresponding to a share of 45.2%), while loans with a higher LTV than 80% were recorded for 26% of new loans, and 28.8% of new loans had an LTV below 50%.

The share of doubtful loans amounted to 1.5% of outstanding loans in December 2009 (2.4% as regards PLN-denominated loans, 1% as regards foreign-denominated loans).

Funding

During the previous years, mortgage funding in Poland was mainly deposit based. The total value of covered bonds' new issuance amounted to PLN 360 million (EUR 88 million), which represented a significant decrease compared to 2008 values (PLN 820 million, i.e. EUR 197 million). No securitisation transactions were concluded in Poland in 2009.

	EU27, 2009	Poland, 2009	Poland, 2008
GDP growth (%)	-4.2	1.7	5.0
Unemployment rate (%)	8.9	8.2	7.1
Inflation (%)	1.0	4.0	4.2
% owner occupied	68.2	75.0	75.0
Residential Mortgage Loans as % GDP	51.9	18.2	15.6
Residential Mortgage Loans per capita, EUR thousand	12.37	1.48	1.48
Total value of residential loans, EUR million	6,125,727	56,569	56,539
Annual % house price growth	-6.8	n/a	n/a
Typical mortgage rate (euro area), %	2.71	2.25	5.92
Outstanding Covered Bonds as % outstanding residential lending	23.2	1.0	1.0

Sources: EMF, Eurostat, ECB, Bank of Poland, National Statistics Office

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate weighted average derived from EMF calculations based on latest available data.*

Poland=2004

Portugal

By Jesus Martins, Caixa Economica Montepio Geral

Macroeconomic overview

The Portuguese economy experienced a sharp contraction which resulted in a real GDP decline by 2.7% that was consistent with a marked global economic recession and continued instability in financial markets. In this context, the inflation rate remarkably decelerated, down to negative levels (-0.9) while the unemployment rate sharply increased (from 7.7% in 2008 to 9.6% in 2009).

Housing and mortgage markets

In 2009, housing prices went up slightly (+0.2%), following on from a reduction of 5.5% in 2008.

Total outstanding mortgage loans increased by 5.2%, probably due to a reduction in prepayments on loans. The value of new residential loans issued recorded a strong reduction of 31% due to crisis-related factors, such as rising unemployment, stagnation in households' disposable income and tighter lending criteria by banks.

Interest rates decreased in accordance with the ECB and EURIBOR rates. The decrease was by 367 basis points, i.e. from 5.92% in 2008 to 2.25% in 2009.

The value of performing residential loans increased by 19% on the previous year and the NPL ratio (i.e. Non-Performing Loans on total outstanding residential loans) rose from 1.5% in 2008 to 1.7% in 2009.

Funding

Due to the growing funding problems in financial markets, banks decided to finance their mortgage lending activity mainly through deposits and ECB loans, as well as government-guaranteed bonds, and only to a lesser extent via mortgage bonds and securitisation. Securitisation operations were aimed at obtaining a pool of assets eligible for refinancing by the ECB.

	EU27, 2009	Portugal, 2009	Portugal, 2008
GDP growth (%)	-4.2	-2.7	0.0
Unemployment rate (%)	8.9	9.6	7.7
Inflation (%)	1.0	-0.9	2.7
% owner occupied	68.2	76.0	76.0
Residential Mortgage Loans as % GDP	51.9	67.5	63.3
Residential Mortgage Loans per capita, EUR thousand	12.37	10.42	9.91
Total value of residential loans, EUR million	6,125,727	110,685	105,210
Annual % house price growth	-6.8	0.2	-5.5
Typical mortgage rate (euro area), %	2.71	2.25	5.92
Outstanding Covered Bonds as % outstanding residential lending	23.2	18.3	14.5

Source: EMF, EUROSTAT, ECB, Bank of Portugal

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Portugal= 2006

Romania

By Sergiu Oprescu, Alpha Bank Romania

Macroeconomic overview

The Romanian economy was strongly affected by the international financial crisis. After 9 years of economic growth, in 2009 the economy entered a severe recession: real GDP decreased by -7.1% in 2009 following a 7.3% increase in 2008. The annual unemployment rate went up to 6.9% in 2009 on average (7.5% in December 2009) from 5.8% in 2008, exceeding also the value recorded on average in 2007 (6.4%) and 2006 (7.3%).

The annual inflation rate went down to 4.8% by the end of 2009 from 6.3% in December 2008. On yearly average, inflation was 5.6% in 2009 and 7.9% in 2008.

Housing and mortgage markets

The total housing stock in Romania continued to increasee, registering 8,385 thousands of houses at the end of 2009. Private ownership represented by far the dominant housing tenure in the country (97.7%).

In 2009 the number of dwellings completed was 62,500, i.e. 4,700 less than the previous year. In 2009 the volume of construction works for residential buildings decreased by 20.2% compared to 2008. In 2009, 48,833 residential building permits were issued, decreasing by 20.1% on 2008. Due to the financial crisis, the number of real estate transactions fell in 2009 by 27.2%, reaching 352,000 transactions, compared to 2008 when 484,767 transactions were registered.

There is no official data available regarding the evolution of house prices. However, according to some statistics and analysis, the price per square meter at national level, decreased from EUR 2,058 in March 2008 to EUR 1,228 in December 2009, which is a 40.3% decrease in the last 21 months and a 20% decrease in 2009.

In 2009, the demand for mortgage loans has considerably reduced due to tightening lending conditions by banks. At the end of the year, the mortgage lending outstanding was RON 24,328 million (EUR 5,700 million), 16% higher than in 2008 (RON 20,899 million, i.e. EUR 5,485 million).

The average interest rates followed a decreasing trend throughout the year for both RON-denominated and EUR-denominated, and both passive and active interest rates. The average interest rate for a new mortgage loan denominated in EUR decreased during 2009, from 7.03% in December 2008 to 5.06% in December 2009. The evolution of new mortgage loan interest rates was strongly influenced by the national government programme called "First House", designed for financing house purchases under special conditions[54].

In Q1 2009, the average Loan-to-Value (LTV) ratio decreased to 64.2% from 70.7% in Q4 2008. During the 2009, the average LTV ratio started to increase, reaching the level of 69.5% in Q3 2009. In Q4 2009, a slight decrease was registered again but the range of variation in the banking sector increased. This wider range in LTVs offered by banks highlights that banks' policies regarding LTVs became less unanimous, reflecting their attempts to reposition themselves in the mortgage lending market.

In 2009, the overdue and doubtful loans reported to the total credit portfolio increased rapidly (to 1.45% in December 2009 from 0.32% in December 2008). This increase was mainly caused by the effects of the financial crisis and the economic situation.

The protection measures that were undertaken to limit the risks linked to mortgage lending by the banks were put in place in Q4 2008, and were kept throughout 2009, due to the international financial crisis. Such measures were mainly reflected in lower LTVs and in lower debt to income ratios. In the second half of 2009, the mortgage market was stimulated by the launch of the national government programme called "First House". The demand for mortgage loans had slightly increased until the end of the year, but not as much as banks expected, taking into consideration that a growing lack of confidence (caused by the crisis) was basically the main effect on the real estate market and potential customers preferred to wait and see.

Funding

In 2009, as in previous years, around 93% of the mortgage loans market was foreign-currency denominated. The interest rates for mortgage loans denominated in foreign currency were lower than the mortgage loans denominated in domestic currency. Therefore, borrowers preferred a foreign currency-denominated mortgage loan in order to access larger amounts. Most of the mortgage funding comes from deposits and private financial institutions.

	EU27, 2009	Romania, 2009	Romania, 2008
GDP growth (%)	-4.2	-7.1	7.3
Unemployment rate (%)	8.9	6.9	5.8
Inflation (%)	1.0	5.6	7.9
% owner occupied	68.2	97.7 (e)	95.7 (e)
Residential Mortgage Loans as % GDP	51.9	4.9	3.9
Residential Mortgage Loans per capita, EUR thousand	12.37	0.27	0.25
Total value of residential loans, EUR million	6,125,727	5,700	5,485
Annual % house price growth	-6.8	n/a	n/a
Typical mortgage rate (euro area), %	2.71	5.06	7.03
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Source: EMF, EUROSTAT, ECB, Bank of Romania, National Institute of Statistics

Notes:

- *(e)= estimate*
- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Romania= 2009

[54] The so-called *Prima Casa* (literally: "First House") is a governmental programme which started in 2009 aimed at supporting the Romanian housing market. Targeted at first-time homebuyers, the programme provides loans of up to EUR 60,000 which are state-guaranteed. This in turn allows banks to lower their interest rates. Out of the 20 banks that took part in the program, none charged more than 5.28% interest rate for *Prima Casa* mortgage loans.

Slovakia

By Miroslava Mizerakova, Hypocentrum Slovakia

Macroeconomic overview

In 2009, Slovakia faced the full impact of the global financial and economic crisis, which resulted, in particular, in a significantly weaker foreign demand, lower domestic investment and a deterioration of labour market conditions. The economy was heavily dependent on exports, especially the car industry sector; therefore the negative developments in this sector slowed down the Slovak economy. However, the Slovak economy benefited from a stable monetary environment having joined the euro area on January the 1st, 2009.

Real GDP in Slovakia had recorded a 6.2% increase in 2008 over the previous year, while in 2009 it recorded a significant year-on-year drop (4.7%). The unemployment rate in 2009 rose from 9.5% to 12%. The inflation rate measured as HICP reached 0.9%.

Housing and mortgage markets

In 2009, the number of total housing starts amounted to 20,325 units and the number of dwelling completions amounted to 18,834 units. The number of completions increased by 1,650 apartments on 2008.

In comparison with 2008, property prices in 2009 were lower in some regions of Slovakia by around 30%. The biggest decline was recorded in the luxury segment and in large apartments. Together with a more cautious approach of banks in granting mortgages and the persistently uncertain sentiment of buyers, the real estate market significantly slowed down. Homebuyers potentially benefited from these housing market conditions, since they could negotiate prices and conditions. The number of newly-built and vacant properties increased, and sellers were often able to sell only after discounting the initial price.

The total volume of new residential loans in 2009 was EUR 9,226 million. The demand for mortgages rapidly decreased at the beginning of 2009, moving along the trend observed from late 2008. This decrease in mortgage demand was driven by a negative economic situation, high unemployment and an uncertain attitude of households. However, conditions in the mortgage market improved in the second half of 2009.

The typical mortgages offered in Slovakia are initial fixed-rate mortgages, mostly with fixed terms of 1, 3 and 5 years; clients started preferring longer fixed terms due to an expected increase in interest rates. The average mortgage interest rate in 2009 was 5.5%, which represented a decrease compared to 2008. However the interest rates (risk margins) in Slovakia still remain higher than the euro area average. Due to the slowdown in the real estate market and dropping property prices, the average mortgage value decreased. Banks generally responded to decreasing property values, increasing unpaid instalments and high unemployment rates by adopting measures aimed at preventing risky loans. Banks therefore tightened their lending criteria by lowering LTV ratios (which ranged from 70% to 80%) and limiting the availability of certain types of loans. At the end of the year, banks loosened their lending criteria, once the situation of the real estate market improved. In 2009, defaulted mortgage loans accounted for approximately 3.2% of the outstanding mortgage loans to households.

In 2009, young borrowers continued to receive a repayment subsidy from the government. The subsidy was introduced in 2007 and, initially, it provided a 1.5% subsidy from the government, plus an additional 1.0% subsidy from the lending institutions. In 2009 the repayment subsidy amounted to 3%. Apart from this subsidy, the government introduced a state support programme for borrowers who are in trouble with their mortgage repayments.

Funding

The total nominal value of mortgage covered bonds issued in 2009 reached EUR 707 million, which was significantly lower than previous years. This was a reflection of the conditions of financial markets as well as of the decreased mortgage lending activity. The National Bank of Slovakia also temporarily allowed banks to decrease the funding of mortgages by mortgage bonds from 90% to 70%. The overall funding of residential mortgages decreased from 91% to 87%. Approximately 25% of issued mortgage bonds remain in the domestic banking sector.

	EU27, 2009	Slovakia, 2009	Slovakia, 2008
GDP growth (%)	-4.2	-4.7	6.2
Unemployment rate (%)	8.9	12.0	9.5
Inflation (%)	1.0	0.9	3.9
% owner occupied	68.2	88.0	88.0
Residential Mortgage Loans as % GDP	51.9	14.6	13.2
Residential Mortgage Loans per capita, EUR thousand	12.37	1.70	1.58
Total value of residential loans, EUR million	6,125,727	9,226	8,536
Annual % house price growth	-6.8	-12.5	22.0
Typical mortgage rate (euro area), %	2.71	5.50	6.20
Outstanding Covered Bonds as % outstanding residential lending	23.2	39.1	41.9

Source: EMF, Eurostat, ECB,National Bank of Slovakia, Slovak Statistical Office, Ministry of Construction and Regional Development of the Slovak Republic

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Slovakia= 2009

Slovenia

By Andreja Cirman, University of Ljubljana

Macroeconomic overview

Until 2007 the Slovenian economy enjoyed favourable developments and high growth rates in industrial production, employment and investment. However, in 2008 the major macroeconomic trends drove the real GDP growth rate down to 3.5%. The impact of financial and economic crisis in the year 2009 resulted in a 7.8% contraction in real GDP. The main factors behind this large decline in the Slovenian economic activity were the interaction of factors from the international environment, the large proportion of total output accounted for by manufacturing, and the end of the investment cycle which was largely based on borrowing in the rest of the world[55].

Annual inflation rate (HICPs) had an average of 0.9% in 2009, down from 5.5% recorded in 2008. Close to the end of 2008 unemployment started to rise, reaching a peak in 2009 with 5.9% (from 4.4% in 2008) and continued along this trend also in 2010 by reaching 7.1% in Q1 2010.

Housing and mortgage markets

In 2009, there were 838,000 dwellings in Slovenia. The last Household Survey (where data refers to a period from 2005 to 2007) reveals that only 3.8% of households in Slovenia live in non-profit rental housing and 1.2% live in private rented accommodation, mostly concentrated in larger towns. The home-ownership rate is high (82%), while 12% of the population live in dwellings owned by their parents or relatives.

Housing construction has been constantly increasing since 2000 and peaked in 2008, when almost 10,000 new dwellings were completed. However, after 2008 housing construction started to decrease and only about 8,600 dwellings were completed in 2009. The downturn was apparent also from the trend followed by the number of building permits for new construction, decreasing from 9,500 units in 2007 to 5,200 in 2009.

After a long period of price increase, in 2008 the housing market in Slovenia experienced a decrease in property prices by 2.0 % for second-hand dwellings and by 3.0% for new dwellings and this trend continued throughout 2009 resulting in a 3.4% year-on-year decrease for second-hand dwellings and 5.0% decrease for new dwellings in Q4 2009. The factors behind the falling demand for real estate were accompanied by growing concerns over the duration and depth of the recession and expectations of further falls in real estate prices. The real estate market initially responded by extending the sales period, which resulted in a 46% fall in the number of transactions in 2008 compared to 2007. In Q1 2009 the market turnover continued to fall but it partly recovered in the second half of the year, however the annual number of transactions fell by 17% compared to 2008.

Despite the relatively low number of transactions on the housing market, mortgage lending was solid, while consumer lending stalled. The fall in interest rates on newly-approved variable-rate loans (95% of housing loans in Slovenia are variable rate loans) encouraged household borrowing. The average interest rate on variable-rate housing loans had fallen by 2.9% by the end of January 2010, predominantly due to the fall in the reference interest rates, as banks raised their premiums over the reference rate. The interest rates on housing loans also fell faster than the euro area average, resulting in the narrowing of the spread with the euro area rates to 65 basis points. In 2009, a total amount of EUR 1,456 million of new housing loans was granted, which represented an increase of 30% from the previous year. Outstanding housing loans accounted for 14.6% of GDP in 2009 and 13.2% in 2008. About 75% of new housing loans in 2009 were secured by means of real estate[56].

The "Financial Stability Report" of the Bank of Slovenia reveals that household indebtedness and debt servicing burden increased in 2009. Nevertheless, the household sector in Slovenia remains relatively less indebted compared with the euro area: being at 34% of GDP, total financial liabilities at the end of Q3 2009 was just under a half of the financial liabilities of the housing sector in the euro area as a whole. With lower interest rates and longer maturities of the loans the housing affordability is improving.

In 2009 banks recorded increased credit risks. At the end of 2009 non-performing claims were up by 30% at the end of 2008. However, no detailed data for housing loans is available. Mortgage banks have responded to increased credit risk by tightening their lending criteria, but also by implementing other risk measures, such as further reducing the average loan-to-value (LTV) ratio on loans with real estate collateral already in 2008 when LTV and loan-to-income (LTI) ratios were significantly reduced. In 2009 there were no major changes. The average LTV ratio on new housing loans with real estate collateral averaged 55.5% in 2009 compared to 56.3% in 2008. Loan-to-income (LTI) ratios were slightly reduced with the proportion of loans with LTI equal or over 33% of income, decreasing from 57.8% in 2008 to 57.1% in 2009[57].

In 2009 the government responded to the economic crisis with the introduction of the guarantee scheme for household loans. In the scheme the government allows banks to transfer 50% or 100% of the loans approved by the end of 2010 or up to EUR 350 million to the government. Those, who are eligible for the scheme, are Slovenian citizens and other permanent residents in Slovenia provided that they are temporarily employed, they are purchasing their first home, and they are part of the young family or have lost their job since October 2008 on business grounds. The effectiveness of the instrument is rather low, since only 14.5% of the assigned quota was actually used and only six banks have participated in the programme.

Funding

The mortgage industry in Slovenia is predominantly part of universal banking. Although legislation allows banks to issue mortgage backed securities, no securitisation of residential mortgages has taken place yet. Before the financial and economic crisis, banks used to acquire funding in the rest of the world to fuel high lending activity, however the situation changed since. In 2009, Slovenian banks made debt repayments to the rest of the world for an amount of EUR 3.2 billion and were consequently forced to restructure their liabilities. The drop in funding in the form of loans from abroad was compensated with government deposits, and two banks also benefited from the issue of government-guaranteed bonds, with growing importance of funds raised at the ECB. Last year's net increase in household deposits of EUR 592 was half of that recorded in the previous year[58]. Households' savings rate in 2008 was 16.2% (while data for 2009 is not available). In the period of 2002-2008 the households` saving rate in Slovenia was above the EU27 average.

[55] See Bank of Slovenia, *Annual Reports* 2009, 2010.

[56] See Bank of Slovenia, *ibidem*.

[57] *Ibidem.*

[58] *Ibidem.*

	EU27, 2009	Slovenia, 2009	Slovenia, 2008
GDP growth (%)	-4.2	-7.8	3.5
Unemployment rate (%)	8.9	5.9	4.4
Inflation (%)	1.0	0.9	5.5
% owner occupied	68.2	82.0	82.0
Residential Mortgage Loans as % GDP	51.9	11.4	9.2
Residential Mortgage Loans per capita, EUR thousand	12.37	1.95	1.68
Total value of residential loans, EUR million	6,125,727	3,972	3,398
Annual % house price growth	-6.8	-3.4	-2.0
Typical mortgage rate (euro area), %	2.71	3.36	6.89
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Source: EMF, Eurostat, ECB, Bank Of Slovenia, Statistical Office of Slovenia

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *House price growth data for 2009 is provisional*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Slovenia= 2006

Spain

By Irene Peña Cuenca, Spanish Mortgage Association

Macroeconomic overview

The Spanish economy underwent a strong contraction in 2009. The bottom of the cycle was reached in the first half of the year, while in the second half a gradual recovery was observed. Although gross domestic product declined by 3.6% during the year as a whole, on a quarterly basis the decrease in Q4 2009 was only by 0.1% and available data for Q1 2010 showed a positive growth of 0.1%. On the expenditure side, domestic demand moderated its negative contribution to GDP as a consequence of the smaller decrease recorded by final household consumption and gross fixed capital formation. On the other hand, there was a significant slowdown in public expenditure (from 6.0% in Q1 2009 to 0.8% in the last quarter). Net exports provided a positive contribution to GDP growth throughout the year.

As regards the labour market, during 2009 the unemployment rate continued to rise and reached 18.0%. A severe deterioration of public finances was also recorded. General government deficit as a percentage of GDP increased from 4.1% in 2008 to 11.2% in 2009, while general government gross debt as a percentage of GDP increased from 39.7% in 2008 up to 53.2% in 2009.

Housing and mortgage markets

In 2009, the sustained decline in the construction sector continued, resulting in a 37.1% fall in housing completions (from 615,072 to 387,075 dwellings) and the drop of 51.5%% in housing starts (from 328,490 to 159,284 dwellings). During 2009 the correction of housing prices also continued. According to official statistics, average house prices in the Spanish market decreased by 10% since their historical peak recorded in Q1 2008. However, the continued downward trend in the housing price index has decelerated in the first months of 2010, and some price stability is expected towards the end of the year. Housing transactions recorded at the end of the year show some signs of pick-up in demand. In fact, although the total number of transactions (463,719) halved the level recorded in 2007 (836,871), in the last quarter of the year the number of transactions increased by 4.1% after almost two years of negative growth rates.

During 2009, the strong deceleration in the mortgage market was exacerbated by the worsening economic situation and rising unemployment, which on the one hand led to a substantial decline in the demand from households and businesses, and on the other hand, boosted the tightening in lending criteria applied by credit institutions given the riskier credit profile of both borrowers and developers. In fact, at the end of the year, gross lending (residential and commercial) declined by 13.9% in volume and by 4% in number of loans. However, on a quarterly basis, total mortgage volume outstanding (residential and commercial) in December 2009 was EUR 1,100 billion which represented an increase of 1% compared with the previous year. As regards residential lending alone, the increase at the end of the year was slightly lower, i.e. by 0.7%. Positive growth rates at the end of the year in 2009 and in early 2010 were possibly due to the important effort made by credit institutions to provide mortgage credit and refinancing to the different market segments. Indeed, total mortgage volume outstanding (residential and commercial) to GDP ratio almost reached 105% and the financial system continued to provide a positive contribution to the growth of the Spanish economy in the context of the global crisis.

As regards doubtful loans, since the end of 2007 a sharp increase in the percentage of doubtful loans out of total outstanding loans was observed, especially in loans to developers and to the construction sector, rising from rates of around 0.6% in 2007 up to 9.5% in 2009. However, the pace of the increase in doubtful loans seems to be moderating as a consequence, both of the robust decrease of interest rates throughout 2009 which have sharply reduced the mortgage debt-servicing costs for borrowers, and due to the financial institutions` efforts aimed at preventing the foreclosure of the collaterals (which are always considered the last resort). In fact, in the last quarter of 2009 the ratio of doubtful loans from outstanding residential lending to households decreased slightly from 3% down to 2.8%.

Funding

For the funding markets, the start of the year 2009 markets was characterised by strong lack of confidence prompted by the Lehman Brothers' bankruptcy at the end of 2008, but also by the continuing funding tensions that had started in 2007. However, over the year some signs of reactivation in funding markets were recorded, especially in the mortgage covered bonds (*cédulas hipotecarias*) segment, also as a positive response to the Purchase Programme of covered bonds announced by the ECB in May. As regards Mortgage Backed Securities (MBS), in 2009 the Spanish credit institutions continued to experience problems in the use of MBS as a funding tool. The markets were still under pressure and no positive signs of reactivation were observed. The new issues of total mortgage securities (MBS and "cédulas hipotecarias") accounted for EUR 77,808 million in 2009, which represented a decrease of 35% on 2008. As regards the breakdown of new issues, the percentage of "cédulas hipotecarias" in the total volume of mortgage securities increased from 40% in 2008 to 60% in 2009. Finally, the total value of outstanding "cédulas hipotecarias" and MBS was EUR 523,832 million compared with EUR 494,222 million in 2008.

	EU27, 2009	Spain, 2009	Spain, 2008
GDP growth (%)	-4.2	-3.6	0.9
Unemployment rate (%)	8.9	18.0	11.3
Inflation (%)	1.0	-0.2	4.1
% owner occupied	68.2	85.0	85.0
Residential Mortgage Loans as % GDP	51.9	64.6	62.0
Residential Mortgage Loans per capita, EUR thousand	12.37	14.81	14.89
Total value of residential loans, EUR million	6,125,727	678,872	674,434
Annual % house price growth	-6.8	-6.3	-3.2
Typical mortgage rate (euro area), %	2.71	2.52	5.89
Outstanding Covered Bonds as % outstanding residential lending	23.2	49.3	45.6

Source: EMF, Eurostat, ECB, Bank of Spain, INE, Ministry of Housing, AIAF

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Spain= 2008

Sweden

By Christian Nilsson, Swedish Banking Association

Macroeconomic overview

The global economic downturn hit the export oriented Swedish economy severely in 2009. Real GDP fell by 4.9% and this was the sharpest fall in at least 30 years. However, GDP growth has returned to positive territory again in 2010.

The unemployment rate rose to 8.3% in 2009 from 6.2% year-on-year. The economic downturn particularly hit the export-oriented industrial sector and the labour market, which was severely impacted by the weakened demand.

There has been moderate inflation in Sweden in 2009, resulting in a 1.9% HICP increase compared to 3.3% in 2008. The low inflation rate is mainly due to decreasing costs for mortgage loans. This follows on from very low interest rates on mortgages, particularly variable interest rates.

The Swedish Central Bank has lowered the repo rate a couple of times in the first half of 2009. In July 2009 this was lowered to the record low of 0.25%. The Central Bank has according to expectations started to raise the repo rate in July 2010 (up to 0.50%).

Housing and mortgage markets

The economic downturn has had a negative effect on residential construction in Sweden. The demand for new one-family homes and tenant-owned apartments has decreased during 2009. The number of housing starts decreased by 22% to 16,900 in 2009. Housing completion decreased by over 28% in 2009. This trend is followed by a 16% fall in the number of building permits. The National Board of Housing expects that the building figures will record a positive growth rate again in 2010 as the demand has started to increase at the end of 2009. There are also signs of a housing shortage in the municipalities around big city areas and in larger university towns.

In 2009 the number of transactions of single-family homes fell by 9.5%. Prices of single-family homes, on the other hand, did not decrease but remained stable (they increased by a mere 0.2%) in 2009. During the first half of 2009 prices of single-family homes fell, but in the last quarter of 2009 prices started to increase again. An important factor, which prevented housing demand and house prices from falling during 2009, was the very low interest rates on mortgages.

The residential construction costs increased by 0.8% on a year-on-year basis in 2009 compared to 5.0% in 2008. The weak conditions of the residential construction market played an important role behind the slow increase in construction costs.

The demand for mortgages remained at the same level in 2009 as in 2008. The total value of outstanding loans from mortgage institutions increased by 7.8% as calculated in EUR (9.1% in SEK). There are several factors that explain this increase in mortgage lending. First, the Government introduced a new tax deduction at the end of 2008 of up to 50% on housing renovation and rebuilding. This measure has provided support to mortgage lending activity and helped the construction sector to survive during the economic downturn.

Despite the increase in outstanding mortgage loans, banks and mortgage institutions have become more restrictive in their lending criteria. Loan-to-value ratios on new loans have been lowered and interest-only loans have become less common.

As mentioned above, the Central Bank's repo rate reached its record low level in 2009. The expansionary interest rate environment has impacted the market rate and the variable interest rate on mortgage loans has gone down to only 1.45% on average at the end of 2009. The fixed interest rate on mortgage loans between 1 and 5 years was 3.2% at the end of 2009.

Loan loss ratio and the share of impaired loans were still recorded at low levels by the Swedish mortgage institutions.

The Financial Supervisory Authority will introduce in October 2010 a general guideline for credit institutions that offer mortgage loans. This general guideline implies a maximum LTV of 85% on mortgage loans.

At the end of 2008, the Swedish Government introduced a plan to stabilise the Swedish Financial Market. The plan consisted of several measures, one of which was the increase of the deposit guarantee up to SEK 500,000 (EUR 48,300). Other measures were a guarantee programme of up to SEK 1,500 billion (EUR 141.3 billion) to support banks´ and mortgage institutions´ medium-term financing needs, and a capital infusion programme. There has also been set up a stabilisation fund to manage potential solvency problems in any Swedish institutions. Banks and other credit institutions pay an annual fee to this fund.

Funding

Covered bonds are the most common form of funding used in the Swedish market for funding residential mortgages. Despite the weakness of global financial markets during 2009, the Swedish institutions managed to issue covered bonds on the Swedish and global market for values of up to EUR 53 billion. The stock of outstanding covered bonds increased by 7.4% on the previous year, up to the value of EUR 134 billion.

A new mortgage bond act came into force on July the 1st, 2004, which introduced directly collateralised bonds (covered bonds), the underlying assets consisting of mortgage loans and loans to central, regional or local governments located within the EEA. By 2008 all former mortgage bonds had been converted into covered bonds.

	EU27, 2009	Sweden, 2009	Sweden, 2008
GDP growth (%)	-4.2	-4.9	-0.4
Unemployment rate (%)	8.9	8.3	6.2
Inflation (%)	1.0	1.9	3.3
% owner occupied	68.2	66.3	68.0
Residential Mortgage Loans as % GDP	51.9	82.0	66.7
Residential Mortgage Loans per capita, EUR thousand	12.37	25.50	23.85
Total value of residential loans, EUR million	6,125,727	236,062	218,976
Annual % house price growth	-6.8	0.2	2.9
Typical mortgage rate (euro area), %	2.71	1.43	3.60
Outstanding Covered Bonds as % outstanding residential lending	23.2	56.7	53.7

Source: EMF, Eurostat, ECB, Statistics Sweden

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Sweden= 2008

United Kingdom

By James Tatch, Council of Mortgage Lenders

Macroeconomic overview

Amidst the continuing global financial crisis, 2009 began as another hard year for the UK. The recession which began in Q2 2008 continued through to Q3 2009, making it the most protracted recessionary period in the UK since records began. However, despite this recession, the rise in unemployment was comparatively modest. By the end of 2009 the unemployment rate stood at around 8% (a little under 2.5 million unemployed), up from 2 million at the end of 2008. Although a substantial increase, it fell far short of the 3 million predicted by many at the start of the year. Whilst there is no conclusive data on the subject, it appears much of the reduction in labour costs in 2009 was achieved through reductions in working hours and/or salary cuts, meaning that far fewer became unemployed than would otherwise have been the case.

Inflation fell in 2009, averaging a little over 2%, less than half that seen in 2008. This was largely expected, given that the relatively high inflation in 2008 was primarily due to a spike in energy prices. Early in 2009 the Bank of England continued to cut rates aggressively, so that by March 2009 the bank rate was just 0.5%, and has been unchanged since then.

Housing and mortgage markets

With supply of mortgages restricted due to the ongoing closure of the securitisation markets, and demand suppressed by the negative macroeconomic environment, 2009 overall saw a very sharp decline in lending levels, compounding the contraction seen in 2008. Gross lending in 2009 totaled GBP 144 billion (EUR 161 billion) and net lending was GBP 11.5 billion (EUR 12.9 billion) – falls of 44% and 72% respectively. But in fact the market appeared to have bottomed out in Q1 2009, whether measured in terms of prices, lending volumes or transaction numbers. From Q2 onwards the UK saw a slow improvement in housing market activity, albeit from a very low base. The very low interest rate environment and the government's temporary exemption on stamp duty for purchases of properties valued at up to GBP 175,000 (EUR 196,422) to last to the end of 2009, improved initial affordability and so provided a stimulus for new purchases. As a result, transaction and lending volumes rallied somewhat, and with this also house prices. There was a particularly strong increase in the final months of the year, as borrowers for lower-priced properties rushed to complete purchases before the stamp duty exemption expired on December the 31st, 2009.

But on the other side of the gross lending equation, 2009 saw a collapse in remortgaging activity, driven by two key factors. Firstly, as funding lines were restricted and house prices declined, the industry tightened lending criteria. Higher LTV loans became harder to find, and those that were on offer were at substantially higher rates than for borrowers with greater deposits. However at the same time the aggressive bank rate cuts meant that those borrowers coming off of initial fixed and discounted rate deals and onto lenders' Standard Variable Rates have found that these reversion rates, normally linked to bank rate, are less penal than they would have been before. With these parallel brakes on supply and demand, remortgaging fell by over 50% on 2008.

In this downturn the fall in house prices, like the contraction in lending, was substantial and rapid. From peak (Q3 2007) to trough (Q1 2009) house prices (as measured by the Halifax index) fell by 22%. This compares to a fall of around 13% in the previous downturn in the early 1990s, which took place over a considerably longer period - around 4 years. But since then, echoing the trends in lending and transaction volumes, prices have begun to increase. By the end of 2009 prices were 6% up on their trough value.

The dramatic interest rate cuts, coupled with the lower than expected rise in unemployment, meant that 2009 saw considerably fewer arrears and possessions cases than initially predicted, although both saw a rise in 2009. At the end of 2009 just under 200,000 mortgages were in arrears representing 2.5% or more of the mortgage balance, around 8% higher than in 2008. 47,800 mortgaged properties were repossessed in the year, up from 40,000 in 2008. In addition to low rates and unemployment numbers, borrowers facing payment problems in this downturn have benefited from a much wider range of coping strategies, compared to previous arrears cycles. Some of these arose through increased lender forbearance (e.g. payment holidays, other temporary concessions and formal arrangements to capitalise arrears). Others came from government – the homeowner mortgage support scheme (essentially a deferred interest scheme with government guarantee) and Mortgage Rescue, a scheme whereby certain types of borrower at risk of imminent possession through default could effectively become social tenants but remain in their own privately bought residence.

Funding

The private securitisation markets began a tentative reopening from Autumn 2009, but not as yet on a scale that fully offset the rate of repayment of funds to investors through bond redemptions. The UK residential mortgage-backed securities (RMBS) market was the first securitisation market to reopen with two large lenders launching new issues, but both carried a put option whereby investors were guaranteed the option of selling the bonds to the lenders after 5 years. This form of recourse to the lender made these deals more akin to a covered bond than a traditional securitisation.

The Bank of England's special liquidity scheme (SLS) closed to new usage in January 2009 and Treasury's credit guarantee scheme (CGS) later in the year. The two schemes together have provided banks and building societies with approximately GBP 310 billion (EUR 348 billion) of funding support. In March 2009 the Bank of England also announced that it would begin a policy of quantitative easing, using newly created money to buy bonds, mainly gilts, to support the money supply to directly increase the banking system's wholesale deposit base.

It is not possible to assess the extent to which these government measures have played a part in maintaining lending in 2009, however they were clearly necessary to maintain confidence in the banking system in the face of a systemic loss of confidence in wholesale markets. Given the tentative nature of the subsequent recovery in these markets and the future profile of lenders' bond redemptions, there are still concerns that lenders will, collectively, find it difficult to repay the support provided through the SLS and CGS on the timetable stipulated by the government unless support is maintained in some other form.

	EU27, 2009	UK, 2009	UK, 2008
GDP growth (%)	-4.2	-4.9	0.5
Unemployment rate (%)	8.9	7.6	5.6
Inflation (%)	1.0	2.2	3.6
% owner occupied	68.2	69.5	69.7
Residential Mortgage Loans as % GDP	51.9	87.6	80.3
Residential Mortgage Loans per capita, EUR thousand	12.37	22.21	23.86
Total value of residential loans, EUR million	6,125,727	1,372,659	1,459,858
Annual % house price growth	-6.8	-7.8	-0.9
Typical mortgage rate (euro area), %	2.71	4.34	5.85
Outstanding Covered Bonds as % outstanding residential lending	23.2	14.7	14.0

Sources: EMF, Eurostat, ECB, Bank of England, Council of Mortgage Lenders, Communities and Local Government

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

United Kingdom=2007

Non-EU country reports

Iceland

By Magnus Arni Skulason, Reykjavik Economics EHF

Macroeconomic overview

After the banking collapse of October 2008, Iceland have had a tough time in terms of economic growth. Devaluation of the Icelandic krona (ISK) in 2008 caused tremendous difficulties for companies and households. Real GDP in 2009 decreased by 6.5%, the worst economic recession ever. In 2008 and 2007, real GDP grew at a rate of 1% and 6% respectively.

The decrease in GDP during 2009 is due to a 20.1% decline in domestic demand. Household final consumption decreased by 14.6%, government final consumption by 3% and gross fixed capital formation by 49.9%. At the same time, exports grew by 6.2% while imports declined by 24%. This resulted in a considerable improvement in the balance of goods and services, from a deficit of ISK 42 billion in 2008 to a surplus of ISK 120 billion in 2009[59].

GDP per capita expressed in ISK values was stable compared to 2008. Expressed in EUR, GDP per capita fell from EUR 36,303 in 2008 to EUR 27,215 at the current exchange rate. In 2007, at the peak of the Icelandic economic boom, GDP per capita was EUR 47,969. Expressed at PPP, GDP per capita amounted to around EUR 30,000.

Unemployment soared in 2009 and reached 8.0%, which was the highest unemployment figure in decades. In comparison, the average unemployment rate in 2008 was 1.6% and 2.3% in 2007.

Inflation has been a long-term problem in Iceland. In 2009 the HICP inflation rate was on average 16.3%, which was higher than the previous year when inflation was 12.8%. In 2007, the inflation rate was 3.6%. When measured as the national Consumer Price Index (CPI), however, the inflation rate was 12%, substantially unchanged from the 12.4% recorded in 2008. The inflationary pressures came from the depreciation of the ISK, but imported goods weigh around 40% in the CPI basket. The Central Bank of Iceland reacted to this sharp depreciation by raising interest rates to 18.0% at the end of October 2008 and enforcing capital controls to limit outflow of foreign currency in at the end of November 2008. The policy rate was kept at 18% until mid March 2009 when it was lowered by 100 basis points, i.e. to 17%. The Central Bank continued to lower interest rates which resulted in 10% by the end of 2009.

Housing and mortgage markets

The housing market in Iceland stagnated in 2009, due to the economic crisis and uncertainty. In terms of new buildings, only 2.8 apartments were completed per 1,000 inhabitants in comparison to 9.3 in 2008. On average, the completed units were around 6.7 per 1,000 inhabitants from 1983 to 2009. In 2009, 18.3 dwellings per thousand inhabitants were completed, but these were 20.3 in 2008. The long-term average from 1983-2009 is 13.4, but these numbers do not take into account the population change. It is obvious from those numbers that there is an excess supply in the system, even when a strong population growth is taken into account.

From December 2008 to December 2010 the nominal price of housing fell by 12% (by 28.3% in real terms) in the Reykjavik Capital Region (the fall was of 9.5% in nominal terms for the whole country). The housing boom in Iceland is therefore over, but the market was greatly accelerated by historically low real interest rates, high Loan-to-Value (LTV) ratios and nearly unlimited loan amounts available. The last bit of the housing boom was fuelled by foreign-denominated mortgages, most commonly a basket of JPY and CHF at a very low interest rate. With the fall of the Icelandic krona (ISK) those loans soared but the exchange rate of the ISK against JPY and CHF went from 0.5532 and 55.11 respectively in the beginning of 2008 to 1.3398 and 113.92 in the beginning of 2009. People who took foreign- denominated mortgages therefore often faced high negative home equity.

The number of transactions in the housing market fell by 41.1% from 2008 to 2009, but since the peak of the boom in 2007 the number of transactions have fallen by 76%, i.e. from over 15,000 thousand transactions to 3,675.

Funding

With the Icelandic banking collapse it is clear that supply of funding was limited. During 2009 only the state owned Housing Financing Fund along with pension funds were able to supply new mortgages.

	EU27, 2009	Iceland 2009	Iceland, 2008
GDP growth (%)	-4.2	-6.5	1.0
Unemployment rate (%)	8.9	8.0	1.6
Inflation (%)	1.0	16.3	12.8
% owner occupied	68.2	80-85	80-85
Residential Mortgage Loans as % GDP	51.9	n/a	n/a
Residential Mortgage Loans per capita, EUR thousand	12.37	n/a	n/a
Total value of residential loans, EUR million	6,125,727	n/a	n/a
Annual % house price growth	-6.8	-9.5	3.9
Typical mortgage rate (euro area), %	2.71	5.05	5.40
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Source: EMF, Eurostat, ECB, IMF, Bank of International Settlements, Bank of Iceland, Statistics Iceland

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Iceland= 2008

[59] http://www.statice.is/?PageID=444&NewsID=4739

Norway

By Odd Kristiansen, Norwegian State Housing Bank

Macroeconomic overview

In 2009, Norwegian annual GDP at constant prices fell for the first time in 20 years by 1.5%. Export-led industries and wholesale and retail trade contributed strongly to the drop in activity at the beginning of 2009, while business services was the main source of reduced growth in the second half of the year. Increased general government spending contributed positively throughout 2009 and helped offset the downturn in the Norwegian economy. In 2009 Norway experienced a moderate inflation (2.3%), which was below the Norwegian inflation target of 2.5%. The inflation is reflected mostly in rents and food prices. Rental prices rose on average by 3.3% from 2008 to 2009, and the annual growth rate in food prices was 3.9%. However, price developments of energy contributed to dampen the total annual growth in consumer prices.

From Q4 2008 to Q4 2009, employment fell by 28,000 units. The decline in the employment rate particularly affected the youngest segments of the labour force; during 2009, a total of 25,000 people under 30 quit the labour market. Due to the economic recession unemployment has increased, but still remains relatively low. An annual average of 3.1% of the labour force was recorded as unemployed in 2009. Unemployment is expected to increase only moderately in 2010.

Housing and mortgage markets

The marked fall in house prices through the second half of 2008 was more than reversed last year and Statistics Norway's house price index reached an all-time high in the second half of 2009. This higher level in house prices helped improve the profitability of new residential investment. Nevertheless, housing investment continued to record a considerable fall also in 2009, when it amounted to only 15.3% of gross capital formation, compared to 22.7% in 2006. Consequently, there was a further decline in housing activity. Despite the increasing housing prices the number of housing starts fell from 25,800 dwellings in 2008 to 19,700 in 2009. One of the main reasons for this development is probably the following: major housing developers, while experiencing a decrease in the sales of housing starts, have been more cautious and, therefore, more likely to postpone the start of new building projects. An even bigger decline was recorded in the numbers of housing completions – from more than 28,000 housing units in 2008 to 21,225 units in 2009, i.e. on average 4.4 units per 1,000 inhabitants. The fall in residential construction activity seemed to stop in the beginning of 2010. Excess construction capacity has led to a slower growth rate in building prices, so that the yearly growth rate in building prices is now more in line with the development in consumer price index. In order to provide stimulus to housing activity the Norwegian Central Bank (Norges Bank) has, in various ways, considerably reduced its key policy rate since Q4 2008, down to a bottom level of 1.25% in July, which is the historical low.

The decline in residential construction has led to slower growth in 2009 in the mortgage loans portfolio compared to the two previous years. However, the increase recorded by the popular lending scheme called "mortgage framework loans" was still significant (13.7%). According to this scheme, the borrower is, to a large extent, free to decide when the loan will be repaid. The share of mortgage loans out of total households' debt amounted to 82.4% in 2009, almost the same as in the previous year. Thus, the households' debt burden (defined as total debt to gross income ratio) has not further increased. For 13% of Norwegian households the debt burden was more than three times their income both in 2008 and 2007. This ratio is exactly the threshold the Financial Supervisory Authority of Norway recommends to Norwegian banks so that banks do not exceed in their lending practice. According to figures from Statistics Norway, the average debt for all Norwegian households amounted to around EUR 113,100 in 2009. As a result of the financial crisis Norwegian banks are now more cautious in granting mortgage loans. According to the "Residential loan survey 2009" issued by the Financial Supervisory Authority of Norway, 9.3% of households took out loans where Loan-to-Value (LTV) ratio exceeded 100%, while in 2007 they were 28.0%. The LTV was below 80% for 61.5% of all existing loans in 2009. In 2009 the Supervisory Authority worked out new guidelines for banks' lending practice which, among other things, require that the LTV normally should not exceed 90%. Despite a very low interest rate level, defaults and losses increased in 2009. Statistics from The Norwegian Financial Services Association (FNO) report that net non-performing assets of commercial banks amounted to 1.5% of net loans to consumers in 2009 (0.8% in 2008). Total losses amounted in 2009 to around NOK 6,000 million (EUR 752.4 million), i.e. 0.26% of the average total assets.

As already mentioned in the EMF`s Hypostat 2008, the most important change in housing policy in 2009 was the improvement in the Norwegian State-guaranteed housing allowances scheme, i.e. a government housing support scheme issued by the Norwegian State Housing Bank (NSHB) and the municipalities. This housing allowance scheme aims at helping low-income households dealing with high housing expenses to obtain and/or maintain a satisfactory housing standard. A total of 136,000 households, about 7% of all Norwegian households, benefited from such housing support in 2009.

Regarding institutions which provide mortgage loans to residents, the NSHB has now increased its relative importance in the funding of new homes. The NSHB funded loans for the construction of approximately 5,400 new homes in 2009, contributing to the funding of 27% of all new homes built during the year (14% in 2008). The increase in the share held by NSHB in the funding of the construction of new homes is probably connected with the financial crisis.

Funding

In 2009, the domestic bond debt increased by more than 30%, and amounted to NOK 1,220 billion (EUR 153.7 billion) at the end of the year. This increase is due to an increase in the issuance of covered bonds as well as an increase in debts from other issuing sectors. Compared to 2008, the value of covered bonds issuance increased by 72% in 2009. A considerable share of the covered bonds' issuance was formed by those covered bonds that were exchanged with government securities according to an authorisation from the Norwegian parliament to the Ministry of Finance in October 2008.

Banks can finance their operations through different funding sources. An important short–term source of funding is the use of inter-bank loans. The ratio of inter-bank loans to total balance sheets has risen during 2009 and now amounts to 22.5%. Norwegian banks mainly obtain this type of loan from foreign banks. However, customer deposits are usually considered as being the safest funding source, and also the cheapest and most stable one. The ratio of households' deposits to banks' total balance sheet is nearly 21%. Similarly, the ratio of bonds to banks' total balance sheet is nearly 19%, while the equity/capital ratio is around 5%.

	EU27, 2009	Norway, 2009	Norway, 2008
GDP growth (%)	-4.2	-1.5	1.8
Unemployment rate (%)	8.9	3.1	2.5
Inflation (%)	1.0	2.3	3.4
% owner occupied	68.2	76,7	76.7
Residential Mortgage Loans as % GDP	51.9	70.8	55.5
Residential Mortgage Loans per capita, EUR thousand	12.37	40.70	36.24
Total value of residential loans, EUR million	6,125,727	195,342	171,689
Annual % house price growth	-6.8	1.9	-1.1
Typical mortgage rate (euro area), %	2.71	3.82	5.74
Outstanding Covered Bonds as % outstanding residential lending	23.2	29.9	12.4

Source: EMF, Eurostat, ECB, Bank of Norway, Statistics Norway

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Norway= 2001

Russia

By Andrei Krysin, European Trust Bank

Macroeconomic overview

The global economical crisis and its consequences – mainly the scarcity of foreign direct investment and the fall in prices of exported raw materials - had severe consequences for the Russian economy such as a decline in industrial production, a fall in economic activity and a cut-down of investment. The year 2009 became the most difficult for the Russian economy in the last 10 years. According to estimates made by the Russian Statistical Institute, real GDP in the Russian Federation decreased by 7.9% in 2009.

Housing and mortgage markets

The negative consequences of the global crisis influenced all components of Russian GDP, including housing construction. The total value of the construction sector in Russia amounted to RUB 3.9 trillion (EUR 88.4 billion), which was 16% lower than the level recorded in the previous year. The volume of completed dwellings fell by 6.7% and amounted to 59.8 million square meters (corresponding to over 700,000 apartments), while in 2008 it had reached 64.1 million square meters. The Russian housing market in 2009 was mainly characterised by a fall in house prices (by 9.1% in the primary market and by 6.3% on the secondary market). At the same time, a certain housing shortage is expected over the next few years (as a consequence of the fall in residential construction activity). However, despite this downturn in the housing market in comparison with the previous years, the current crisis, according to most estimates, had already bottomed out as early as in the first half of 2009.

This positive outlook on the housing market, which should be able to overcome the worst phase of the crisis, can also be applied to the mortgage market. The Russian mortgage market has developed very dynamically over recent years and the growth rates recorded were really impressive. The global economic crisis has seriously undermined the development of the mortgage market in Russia during 2009. This resulted in a decrease in the value of mortgage lending granted: several financial institutions quit the market and mortgage banks generally tightened their lending criteria. As a result, new residential construction has significantly declined (up to an actual stop), while mortgage lending activity on the secondary market was mostly performed by many of the largest banks which are partly state-owned. According to experts, the share of the top five mortgage lenders increased from 38% to 61% during the year. During 2009, approximately 130,000 mortgage loans, corresponding to a total amount of RUB 152.5 billion (EUR 3.5 billion) were granted. In comparison with the previous year, the fall was 2.7 times greater in number of loans and 4.3 times greater in value. The volume of mortgage loans granted in the national currency amounted to RUB 143.0 billion (EUR 3.2 billion), while mortgage loans granted in foreign currency amounted to RUB 9.5 billion (EUR 215 million). The amount of non-performing loans out of the total volume of mortgage loans increased from RUB 11.5 billion (EUR 260 million) to RUB 31 billion (EUR 702 million). Refinancing operations, according to the Bank of Russia, were concluded by 180 credit institutions. The volume of mortgage refinancing decreased in 2009 by approximately 33% (i.e. from RUB 97 billion, equal to EUR 2.2 billion, to RUB 65.4 billion, equal to EUR 1.5 billion). While in 2008, mortgage loans for a total amount of RUB 2 billion (EUR 45 million) were refinanced, in 2009 this value increased to RUB 15 billion (EUR 339 million).

Despite the substantial fall in mortgage lending values caused by the global recession, the Russian mortgage lending sector began to recover in the second half of 2009. Moreover, most experts started to forecast a pick-up in mortgage lending activity. The reason for such an optimistic outlook lies in the considerable increase (more than three times greater) of the number of loans granted - from 44,500 loans (as of July the 1st, 2009) to 130,100 loans (as of January the 1st, 2010). This positive new trend had been caused by measures aimed at supporting mortgage lending, which were undertaken by the Federal Government during 2009. In 2009, the capital of the Federal Agency for Housing Mortgage Lending (AHML) was substantially increased (approximately up by RUB 60 billion, which is equal to EUR 1.4 billion). The AHML is a state-owned body which was created 10 years ago in order to sustain the mortgage lending market.

In 2009, the AHML developed and started implementing the programme of refinancing of mortgage loans granted for the purchase of social dwellings. Low-price dwellings and their sale at affordable prices is becoming one of the priorities of the National project called "Affordable and comfortable housing for Russian citizens". In order to alleviate the problems faced by borrowers, who found themselves in a default situation due to partial or total loss of income, it was decided to establish the Agency for Housing Mortgage Loans Restructuring (AHMLR) which is a subsidiary of the AHML and has a registered capital of RUB 5 billion (EUR 113 million).

The programme launched by AHLMR has helped banks to set their own mortgage restructuring programmes, and thanks to this, approximately 37,000 borrowers received support in 2009. Different measures aimed at supporting borrowers whose financial situation had not yet stabilised were approved, such as extension of the support period, reduction of the interest rate, and agreement on individual payment schedules. As a result, when the support period expires, the financial burden which is carried by the borrower, compared to previous installments, does not increase. AHLMR is also entitled to buy out houses which have penalties imposed on them due to unpaid installments, to sell it to the municipal authorities with a five-year installment term and to form a pool of commercial loans or other type of loans.

In autumn 2009, the Government decided to entitle one of the largest Russian banks (Vnesheconombank) under partial State ownership – to use RUB 250 billion (EUR 5.7 billion) of their Pension Fund assets in order to support mortgage lending and provide financial support to residential construction activity. Finally, at the end of 2009, the Government of the Russian Federation approved a fundamental document, namely the "Development strategy of long-term housing mortgage lending in the Russian Federation until 2030". In compliance with this document, mortgage loans will be the main financial tool for making house purchase affordable and for increasing home ownership. It is expected that housing prices, terms and conditions of mortgage lending, and consumer income will make house purchase affordable for 60% of the population. The income of these borrowers will be at least three times higher than the monthly instalment related to a mortgage loan which is associated with a standard dwelling.

Another positive factor that should enable the Russian mortgage market to quickly overcome the effects of the crisis are the legal regulations that ensure the security of legitimate interests of banks providing mortgage loans, and increase borrowers' liability. Furthermore, banks' claims in courts towards borrowers on mortgage loans have been sped up. Courts now can make prompt decisions (within 2 weeks) on cases of mortgage installment claims, which has a positive impact on mortgage liquidity and strengthens legal discipline of the mortgage market participants.

Legal decision-making procedures on default have also been sped up. Regarding this issue, some amendments have been introduced to the Criminal Code of the Russian Federation, and the work of the Federal Bailiff Agency of the Russian Federation has stepped up. In particular, as regards the initiative of the Mortgage Lending Committee of the Association of Russian Banks, a collaboration agreement between the Association of Russian Banks and the Federal Bailiff Agency of the Russian Federation has been signed in order to return loans to banks. All these decisions should create conditions, not only to restore mortgage market confidence quickly, but also to enhance further developments of mortgage lending.

Currently, mortgage market interest rates are lower than before(the Federal Central Bank of Russia has lowered its policy rate repeatedly since mid-2009 as a response to the economic situation of the country, as well as to the conditions of the mortgage market). The low interest rates are accompanied by an initial installment reduction and support to mortgages in the primary housing market. Parallel to the simplification of the procedure related to granting mortgage loans, refinancing is being developed as an effective tool that makes loans accessible to a wider range of citizens. The mortgage market is planned to be expanded due to the expansion of mortgage programmes and the increase in the number of banks operating in the mortgage market.

Funding

As for mortgage market funding, three securitisation transactions were concluded in 2009, for a corresponding value of RUB 15 billion (EUR 339 million), RUB 2.2 billion (EUR 49 million), and RUB 15 billion (EUR 339 million) respectively.

	EU27, 2009	Russia, 2009	Russia, 2008
GDP growth (%)	-4.2	-7.9	5.6
Unemployment rate (%)	8.9	8.4	6.3
Inflation (%)	1.0	11.7	14.1
% owner occupied	68.2	63.8	63.8
Residential Mortgage Loans as % GDP	51.9	2.1	1.6
Residential Mortgage Loans per capita, EUR thousand	12.37	0.13	0.13
Total value of residential loans, EUR million	6,125,727	18,653	18,175
Annual % house price growth	-6.8	n/a	n/a
Typical mortgage rate (euro area), %	2.71	15.30	12.20
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Source: EMF, Eurostat, ECB, IMF, ILO, Russian Federal Central Bank

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Russia= 2003

Turkey

By Serkan Belevi, Türkiye Is Bankasi

Macroeconomic overview

After a slow down in 2008, when the Turkish economy grew by 0.9%, the Turkish economy experienced a sharp contraction in 2009, and real GDP decreased by 4.7%. However, in the last quarter of the year the economy started to pick up, and this was reflected by the 6% year-on-year growth rate in Q4 2009, after the trough recorded in Q1 2009. Real GDP grew robustly again in Q1 2010 with a 11.7% growth rate year-on-year. This remarkable year-on-year rebound in GDP in Q1 2010, however, is largely affected by the fact that in Q1 2009 the Turkish GDP reached its lowest level in absolute terms. Most of the contribution to GDP growth came from domestic demand.

Although the economic situation has improved, inflation remains stable due to low inflationary pressures. The inflation rate was 10.4% in 2008 and went down to 6.3% in 2009. Latest quarterly developments show that it has remained rather stable since then (in April 2010 a 8.4% inflation rate was recorded). The unemployment rate increased from 9.7% in 2008 to 12.5% in 2009 on yearly average, thus remaining on post-crisis levels, although the Turkish unemployment rate decreased down to 12% in April 2010.

Housing and mortgage markets

Outstanding mortgage residential loans increased by 14% in 2009 and reached TRY 44,896 million (EUR 20,380 million). This increasing trend has continued in Q1 and Q2 2010. The total volume of gross residential lending increased by 21.8% (in EUR values) in 2009 and reached TRY 21,222 million (EUR 9.8 billion). As for mortgage debt to GDP ratio, this went up from to 3.9% in 2008 to 4.6% in 2009, and these figures are still low compared to the advanced EU economies. According to data from the Turkish National Statistical Offices, in 2000 (the latest year for which data is available), the home-ownership ratio was 68%, while 24% of housing stock was occupied by private landlords, 2% were rented from government or social landlords, and 6% were neither leaseholder nor did they own their houses. Despite the continuous interest rate cut policy pursued by the Central Bank of Turkey to stimulate the economy, increases in house prices have been very limited, and the housing market has not yet fully recovered. The stock of unsold houses has remained high since the onset of the crisis (during 2008-2009) all over the country. Net lending figures appear to be correlated with economic growth in Turkey: during the buoyant economic growth period from 2002 to 2006, net residential figures increased dramatically. In spite of the fact that interest rates have remained low over the last 2 years, net lending figures are still far from showing a robust recovery, which cannot be expected any time soon.

The Loan-to-Value (LTV) ratio on the market in Turkey is around 75% of the appraisal value of a house. Mortgage credit is still a safer type of credit among all other consumer loans. The NPL ratio in mortgage credit is around 2% and continues to decrease also in Q1 2010. Turkish culture is largely supportive to consumers and lenders, as house ownership is also a sign of reputation; therefore Turkish borrowers are very loyal in paying their mortgage loans. 95% of housing finance in Turkey is carried out by commercial banking. Where the pace of population increases and migration from rural areas has been very high, and consequently a large urbanisation process has been experienced in a short time span, demand for urban land and housing continues to rise to very high levels. Particularly for the low and middle-income groups, the question of purchasing houses in a livable and planned environment has become very relevant. Making adequate shelter available, accessible and affordable to meet the housing need for the ever-increasing populations of the urban settlements has always been and remains to be a challenge for Turkey. In such a framework, social housing becomes one of the most significant issues for the country. Social housing projects are carried out mostly by a government-owned agency, TOKI (Housing Development Administration of Turkey). The mortgage sector represents big potential for banks to grow. Even if net profit margin is relatively not too high, Turkish Banks have tried to increase their profit margin via cross-sell activities.

Funding

Mortgage lenders fund their mortgages from a wide variety of sources and using a number of methods. The dominant funding mechanism in Turkey remains funding by deposits placed by consumers in banks as savings or in current accounts. In order to handle the disadvantages of deposit funding - namely maturity mismatch - Turkish Banks use derivatives to hedge their mortgage portfolio, i.e. generally interest rate swaps and cross currency swaps. Covered bonds and Mortgage Backed Securities are also sources of funds for mortgage lenders but these are not yet developed.

	EU27, 2009	Turkey, 2009	Turkey, 2008
GDP growth (%)	-4.2	-4.7	0.9
Unemployment rate (%)	8.9	12.5	9.7
Inflation (%)	1.0	6.3	10.4
% owner occupied	68.2	68.0	68.0
Residential Mortgage Loans as % GDP	51.9	4.6	3.9
Residential Mortgage Loans per capita, EUR thousand	12.37	0.28	0.27
Total value of residential loans, EUR million	6,125,727	20,380	19,386
Annual % house price growth	-6.8	-8.5	n/a
Typical mortgage rate (euro area), %	2.71	1.26	1.59
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	n/a

Source: EMF, Eurostat, ECB, Central Bank of Turkey, Turkish Institute of Statistics

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Turkey=2000

Ukraine

By Oleksiy Pylypets and Oleksandr Moiseienko, Ukrainian National Mortgage Association

Macroeconomic overview

During the last 9 years, Ukrainian real GDP experienced a very strong growth. However, in 2009 real GDP decreased by 15.1%. This economic recession was caused by many factors: political instability, global economic crisis, abrupt depreciation of the UAH against foreign currencies, contraction of lending programs, the ban on deposit withdrawing and the massive lay-offs, which all had a serious aggregate impact on the Ukrainian economy.

Consumer price index (CPI) rose by 15.9% in 2009 (25.2% in 2008). This reduction in the inflation rate was driven by the stabilisation of the economic and political situation in Ukraine.

As of December the 31st 2009, the official exchange rate of UAH against USD increased by 3.7% and amounted to UAH 798.50 per USD 100. The exchange rate with the EUR increased by 5.5% and amounted to UAH 1144.99 per EUR 100 (UAH 1086.89 on yearly average in 2009).

In 2009, the unemployment rate reached 9.9% on a yearly average (compared to 6.8% in 2008).

Housing and mortgage markets

During 2009, real estate market conditions in Ukraine were ambivalent. On the one hand, falling demand and prices were recorded at the beginning of the year, but on the other hand realtors and speculative players tried to warm up the market by statements about the «bottom of price decline». However, the result of these attempts to revive the housing market was poor and real estate prices did not surge significantly. Over the year, the actual average sale price of one square meter in apartments dropped by 14.1% from USD 1,986 (EUR 1,424) to USD 1,705 (EUR 1,222).

Last but not least, scarcity of mortgage funding contributed to drive prices down. Before the crisis, the number of purchases of apartments, associated with taking out a mortgage loan, was 70% of all property purchases; in 2009, it only represented a share from 5 to 10%, due to the fact that mortgage banks put on the market the apartments for which they had granted a mortgage loan. A further increase in housing supply in the Ukrainian housing market will probably result in a gradual price decline. In fact, banks sometimes sell the mortgage real estate at a price which is even below the market price, so as to cover any losses. There is a tendency towards further decline in price levels in the Real Estate market and in the outflow of risk capital, which had previously contributed to the increase of prices to unsustainable levels.

House prices in the secondary market`s sub segments in Kyiv (broken down by the number of rooms) in 2009 declined as follows:

- 1-room apartments: 35.9%;
- 2-room apartments: 33.9%;
- 3-room apartments: 35.2%;
- multiple-room apartments: 34.2%.

As of January the 1st 2010, the price of a square meter in the secondary housing market in the Kyiv area was USD 2,170 (EUR 1,571) for 1-room apartments, USD 2,289 (EUR 1,646) for 2-room apartments, USD 2,270 (EUR 1,633) for 3-room apartments and USD 2,510 (EUR 1,806) for multiple-room apartments.

The weighted interest rate on loans to individuals denominated in national currency in 2009 was 24.10%, while it was 15.3% for loans denominated in USD, and 11.10% for loans in EUR. As of 1st January 2010, average interest rates on UAH mortgages were 26% (16% on USD-denominated mortgages and 15.70% on EUR- denominated mortgages). Total banking system deposits decreased by 8.3% in 2009 down to UAH 327.9 billion (EUR 286.4 million). By this time, deposits in domestic currency decreased by 13.2%, in foreign currencies they decreased by 2.1%. The average weighted interest rate on deposits in national currency in 2009 was 11%, (11.50% on USD deposits, and 10.40% on EUR deposits).

The mortgage market in Ukraine during 2009 experienced a difficult situation. Due to the impairment of key macroeconomic factors, conditions for mortgage lending activity became more restrictive and unfavourable. They also got worse because of high inflation (15.9% on yearly average), undermining the decline of mortgage interest rates, which now are at the level of 25-30% for loans expressed in national currency, and increased mortgage risk-aversion.

Considerable decreases in households' income contributed to a general decrease in loans granted to individuals and a consequent decrease in banks' external borrowings abroad - with the total volume of loan deposits in 2009 decreasing by 2% to UAH 718.7 billion (EUR 62.8 billion), and by 7.3% (if loans to households are also included).

In Q1 2010, total mortgage portfolio went down to UAH 104.7 billion (EUR 9.2 billion), which was equal to 11.0% of GDP. Net mortgage loans amounted to UAH 54.3 billion (EUR 5 billion). In 2009, the decline in mortgage lending in Ukraine on 2008 was of 4.8% in UAH and 9.7% in EUR.

The share of mortgage loans out of total loans (i.e. residential and commercial) amounted to 14.6%, and in more than one-third of loans to individual households, represented mortgage loans (41.3%).

As regards the breakdown of mortgage loans by currency, the share of loans issued in UAH decreased from 22% in 2008 to 21.7% in 2009, while the share of USD-denominated loans, which had decreased in Q4 2008 increased again from 78.0% to 78.3%. The share of mortgage loans denominated in EUR went from 1.4% to 1.8%, and the share of CHF-denominated mortgage loans increased from 1.4% to 2.7%.

The main reason for the increased share of foreign currency-denominated loans out of the total mortgage lending market is the increasing appreciation of foreign currencies against UAH.

The population's demand for mortgage loans provides evidence of what is happening in the mortgage market, since it is a reflection of consumers' sentiment. After October the 31st, 2008, Ukrainian banks almost stopped lending and since then a downward trend in mortgage demand has been recorded. This is quite logical since, being unable to take new loans, people are trying to repay those that they already have contracted. In quantitative and volumes terms the growth of mortgage assets is negative.

The five top lenders in the Ukrainian mortgage market in 2009 were the following: Ukrsibbank (with a market share of 18.0%); Raiffeisen Bank Aval (11.9%); Ukrsotsbank (11.7%); OTP Bank (11.4%); Nadra Bank (6.9%). The aggregate share of top lenders at the end of 2009 was 59.9%, while at the end of 2008 it was 61%.

During 2009, mortgage banks also had to deal with non-performing loans (NPL). Before the crisis the level of NPL in Ukraine was 0.9% of total mortgage lending. During 2009, this ratio multiplied by more than 5.5 times, reaching 5.1%. Despite the attempts made by banks to reduce the burden of unpaid credit from borrowers, NPL have kept increasing. And this is not strange: in fact the number of unemployed people increased significantly, but even those who did not lose their job suffered from a severe reduction in their wages, that eventually resulted in their decreased creditworthiness.

In February 2009, mortgage banks have started a process of restructuring NPL. During 2009, 18.7% of the total amount of mortgage loans were restructured. The main programmes for restructuring mortgage loans are:

- Changing of loan currency;
- Changing of credit repayment scheme;
- Prolongation of loan maturity;
- Rescheduling of credit payments.

Since Q4 2008, due to the National Bank of Ukraine`s Resolution No. 319 of October the 11th, 2008, "On Additional Measures Regarding Bank Activities," banks almost stopped lending to all industrial sectors. But in Q4 2009 banks started lending mortgage loans again, although lending conditions are much tougher:

- Loans are nominated only in UAH;
- Maturities can range from 2 to 30 years;
- The single commission is 1-3% of credit;
- Minimal interest rate is 16.5%, maximum — 30.2%;
- Down payment in 2009 ranged from 15% to 50%.

Funding

Before the onset of the global economic crisis, the main mortgage funding tools in Ukraine were:

- Credit lines of Headquarters' structures;
- Short-term deposits;
- Eurobonds;
- Covered bonds.

During the development of the Ukrainian mortgage market there were two pilot issues of covered bonds (by the Ukrgasbank and the Kreschatyk Bank respectively). Some residential mortgage loans originated by Privatbank were securitised.

	EU27, 2009	Ukraine, 2009	Ukraine, 2008
GDP growth (%)	-4.2	-15.1	2.1
Unemployment rate (%)	8.9	9.9	6.8
Inflation (%)	1.0	15.9	25.2
% owner occupied	68.2	n/a	n/a
Residential Mortgage Loans as % GDP	51.9	11.0	8.2
Residential Mortgage Loans per capita, EUR thousand	12.37	0.20	0.22
Total value of residential loans, EUR million	6,125,727	9,148	10,133
Annual % house price growth	-6.8	n/a	n/a
Typical mortgage rate (euro area), %	2.71	26.00	22.80
Outstanding Covered Bonds as % outstanding residential lending	23.2	n/a	0.1

Source: EMF, Eurostat, ECB, IMF, ILO, Central Bank of Ukraine

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate average derived from EMF calculations based on latest available data.*

Ukraine=n/a

United States

By Dwight Jaffeee and Sean Wilkoff, University of California, Berkeley

Macroeconomic overview

During 2009, the United States (US) continued in its deepest recession since the Great Depression. Most macroeconomic indicators reached the worst levels seen in the past decade. Real GDP growth rate became negative reaching -2.4%. The unemployment rate increased dramatically to 9.3%, over double the unemployment rate seen a decade ago. The inflation rate dropped slightly, with fears of deflation and inflation equally balanced. Interest rates continued to drop, reaching their lowest values for the past 25 years. Experts continue to disagree whether the official end of the recession can be dated in late 2009. Although GDP growth turned positive at the end of 2009 and continued into 2010, concern for a double-dip recession remained evident. This concern was reinforced by the very slow improvement in the employment rate. Job growth has begun, but additions to the labour force have so far matched the new job opportunities, allowing little improvement in the unemployment rate. Further concerns arose in mid-2010 as the Gulf of Mexico oil spill remained unchecked and the European sovereign debt crisis remained unsolved.

Housing and mortgage markets

The housing market in 2009 continued to decline. Housing starts fell to little more than half of 2008 levels, while housing completions dropped by about 30%. Permits issued dropped only slightly less than housing starts. New homes sales continued their decline since 2005. The total housing stock increased slightly. Overall, a recovery in housing construction activity appears only as a future hope, probably beyond 2010.

On a more positive note, existing home sales saw their first increase since 2005. The existing home sales levels were lower than 2007, but higher than 2008. House prices continued their decline, dropping below levels not seen since 2003 and 2004. However, gross residential lending, buoyed by refinancing and existing home sales, increased for the first time since 2005. Much of the refinancing and home sales activity benefited from a variety of government programmes during 2009, including US. Government mortgage guarantees provided through the Federal Housing Administration (FHA) and the GSEs (Government-Sponsored Enterprises, Fannie Mae and Freddie Mac, operating under a government conservator). It is unclear whether these programs will continue, and if they are discontinued whether the lending activity has sufficient momentum to continue on its own. Mortgage delinquency and foreclosure rates continue to rise. Total mortgage delinquency rates (more than 30 days delinquent) were 5.8% at year-end 2007, 7.9% at year-end 2008, and ended 2009 at 9.5%. Foreclosure rates were 2% at year-end 2007, 3.3% at year-end 2008, and ended 2009 at 4.6%. Of course, delinquency and foreclosure rates on subprime mortgages were even higher, ending 2009 with a delinquency rate of 25.3% and a foreclosure rate of 15.6%.

Government programmes to modify mortgages, and therefore avoid delinquency and foreclosure, continue to be active, but it remains uncertain if they will achieve their goal. One concern is that these programs may simply push foreclosure activity to the future. For this reason, it is unclear whether delinquency and foreclosure conditions in 2010 will show improvement or not.

Mortgage rates declined in 2009 to 5.04%, down from 6.04% in 2008 and 6.34% in 2007. Other mortgage contract terms generally showed trends toward better underwriting standards. In particular, LTV ratios declined from their 2007 levels, reaching levels almost on par with 2006 levels. The average LTV ratio reached 76.9% in 2008, the LTV ratio for newly built homes was slightly lower (76.2%) and the previously occupied home LTV ratio reached 77%.

Funding

The securitisation market in 2009 issued a larger amount of MBS than in 2008 a sign that the securitisation market is providing funding. However, the vast majority of these MBS are backed by Fannie Mae and Freddie Mac, with very little private market underwriting. Concerning covered bonds, agency debt issued by the GSEs declined for the first time since 2005. The private market segment of the United States covered bond market remains small with Bank of America and JP Morgan having issued the only two covered bonds by domestic banks.

Significant financial reform legislation is likely to be passed during 2010, since extensive reform legislation is pending before the US Congress as of mid-2010. Most of the reforms are directed at bank activity, including stronger capital requirements, restrictions on derivative and other high-risk activities, and cost-sharing within the industry for future bailouts. Major mortgage market reform, however, is not included in the pending financial reform legislation. The reason is that the two GSEs, operating under the government conservatorship, represent the core of the government's current program for stabilising the housing and mortgage markets. It is thus considered too soon and too dangerous to carry out major mortgage market reform during 2010.

Eventually, of course, the future form of the US mortgage market, including the future role for Fannie Mae and Freddie Mac, will reach the policy reform agenda perhaps in 2011. There is already wide-spread agreement that the public-private hybrid format for Fannie Mae and Freddie Mac has failed. Simply put, the firms maximised their private value by taking on extensive interest rate and credit risks, leaving US taxpayers to pay the price when those investments failed, an amount already approaching USD 200 billion. Since the two GSEs are unlikely to play a substantive role on the future US mortgage market, the major policy question is how to reorganise the US mortgage market without them:

1) Is the private sector able to replace the close to 50% of the US mortgage market that was previously supported by the GSEs?

2) Can private mortgage insurance expand to help the markets carry on efficiently without the GSEs?

3) Will the absence of the GSEs require a greater and continuing direct role for the U.S. government in the mortgage market?

4) If there is to be a greater government role, what form should that take? For example, would it include an expanded role for the already existing FHA and GNMA programs?

5) Should other fundamental changes be considered for the US mortgage market? For example, should recourse to borrower assets be expanded as it is currently in most European countries?

	EU27, 2009	USA, 2009	USA, 2008
GDP growth (%)	-4.2	-2.4	0.4
Unemployment rate (%)	8.9	9.3	5.8
Inflation (%)	1.0	-0.8	4.4
% owner occupied	68.2	67.2	67.5
Residential Mortgage Loans as % GDP	51.9	81.4	86.2
Residential Mortgage Loans per capita, EUR thousand	12.37	26.04	29.08
Total value of residential loans, EUR million	6,125,727	7,994,457	8,850,770
Annual % house price growth	-6.8	-12.4	-9.5
Typical mortgage rate (euro area), %	2.71	5.04[58]	6.04
Outstanding Covered Bonds as % outstanding residential lending	23.2	0.1	0.2

Source: EMF, Eurostat, ECB, Federal Reserve, Bureau of Economic Analysis, US Bureau of Census

Notes:

- *Typical mortgage rate in the euro area refers to the APRC (Source: ECB)*
- *EU owner occupation rate for the EU27 average derived from EMF calculations based on latest available data.*

USA=2009

[58] Conventional 30-year mortgage rate on a new mortgage loan

1. Residential Mortgage Debt to GDP Ratio, %

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	13.9	16.4	17.8	20.7	22.1	23.7	24.0	25.3	26.2
Belgium	26.5	27.6	27.7	26.7	27.8	30.1	30.7	33.4	35.9	37.7	39.8	43.3
Bulgaria	n/a	0.4	0.4	0.5	0.7	1.2	2.6	4.6	6.9	9.9	11.6	12.6
Cyprus	3.6	5.4	5.8	6.3	7.8	9.9	11.7	30.3	36.9	43.5	49.3	61.3
Czech Republic	n/a	n/a	n/a	n/a	1.9	3.0	4.2	6.0	7.1	9.8	10.8	19.4
Denmark	67.5	68.6	67.7	71.1	74.0	78.4	79.7	84.9	89.1	93.1	95.4	103.8
Estonia	3.7	4.0	4.6	5.6	7.6	10.9	15.5	23.4	32.3	35.6	38.6	44.5
Finland	29.7	30.5	30.3	31.2	32.7	35.1	38.2	41.9	44.5	45.7	48.0	58.0
France	20.0	20.8	21.2	21.7	22.6	24.2	26.0	29.2	32.0	34.4	36.4	38.0
Germany	51.9	55.6	53.2	53.1	53.2	53.4	52.3	51.9	50.9	47.6	45.9	47.6
Greece	5.8	6.7	8.2	10.7	13.6	15.5	18.3	23.2	27.2	30.6	32.5	33.9
Hungary	n/a	1.1	1.4	2.2	4.7	7.9	9.6	10.5	12.0	12.8	14.8	16.7
Ireland	26.5	29.0	31.0	32.8	36.2	42.5	51.7	61.0	69.7	73.7	81.5	90.3
Italy	7.8	9.0	9.8	9.9	11.0	13.0	14.8	17.0	18.6	19.7	19.6	21.7
Latvia	n/a	0.7	1.6	2.4	3.9	7.2	11.7	19.1	28.9	31.7	31.0	36.6
Lithuania	0.9	1.3	1.2	1.4	2.2	4.1	6.9	10.9	12.5	17.0	18.8	22.6
Luxembourg	23.3	22.4	25.0	27.3	27.7	30.3	32.0	33.0	33.2	37.0	37.9	42.0
Malta	n/a	8.0	8.0	17.9	19.6	23.3	27.8	31.8	34.6	36.9	39.0	43.0
Netherlands	55.3	60.7	68.2	73.0	80.2	83.9	88.2	93.5	96.7	98.3	98.9	105.6
Poland	1.5	1.7	2.1	2.7	3.4	4.5	4.7	6.0	8.4	11.6	15.6	18.2
Portugal	n/a	36.9	41.5	44.4	47.9	47.8	49.3	53.3	59.1	62.0	63.2	67.5
Romania	n/a	n/a	n/a	n/a	n/a	n/a	1.5	1.8	2.3	3.4	3.9	4.9
Slovakia	n/a	n/a	n/a	n/a	3.9	4.8	6.5	8.0	9.5	11.9	13.2	14.6
Slovenia	n/a	0.2	0.3	0.4	0.8	1.0	2.9	4.8	6.3	7.7	9.2	11.4
Spain	23.9	26.7	29.9	32.5	35.9	40.0	45.7	52.3	58.1	61.4	62.0	64.6
Sweden	43.9	45.8	44.6	46.1	47.0	48.5	57.0	59.4	64.8	66.9	66.7	82.0
UK	49.8	55.1	55.8	58.0	62.1	67.4	71.2	77.5	82.4	85.4	80.3	87.6
EU27	32.4	35.6	36.0	37.1	39.2	41.3	43.5	46.5	49.1	51.3	49.9	51.9
Iceland	49.3	53.5	56.6	59.3	60.8	66.0	70.8	80.4	73.8	118.6	n/a	n/a
Norway	39.6	41.6	39.1	42.1	47.6	52.0	53.3	56.5	56.2	62.4	55.5	70.8
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.2	0.9	1.8	1.6	2.1
Turkey	n/a	n/a	n/a	n/a	0.1	0.2	0.4	2.1	3.0	4.0	3.9	4.6
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.6	4.8	7.4	8.2	11.0
USA	53.8	63.8	70.0	63.5	59.0	56.3	67.1	88.8	83.1	76.9	86.2	81.4

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, Eurostat, Bureau of Economic Analysis, Federal Reserve, International Monetary Fund

Notes:

- *n/a: figures not available*
- *Belgian series has been revised*
- *Cypriot series has been revised*
- *Swedish series has been revised; please note that data after 2004 is not comparable with the earlier data due to a change in the statistical source*
- *UK series has been revised*

2. Residential Mortgage Debt per Capita, EUR thousand

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	3.69	4.46	4.91	5.91	6.56	7.35	7.82	8.56	8.68
Belgium	5.92	6.44	6.84	6.75	7.22	8.01	8.60	9.68	10.86	11.94	12.84	13.56
Bulgaria	n/a	0.01	0.01	0.01	0.02	0.03	0.07	0.13	0.23	0.37	0.52	0.56
Cyprus	0.46	0.72	0.85	0.98	1.23	1.62	2.04	5.53	7.07	8.80	10.77	13.04
Czech Republic	n/a	n/a	n/a	n/a	0.15	0.24	0.36	0.59	0.79	1.21	1.54	2.49
Denmark	19.79	21.06	22.04	23.81	25.46	27.47	29.08	32.53	35.92	38.71	40.62	41.96
Estonia	0.13	0.16	0.21	0.28	0.44	0.70	1.11	1.94	3.18	4.15	4.63	4.55
Finland	6.68	7.22	7.73	8.37	9.02	9.80	11.14	12.59	14.03	15.52	16.67	18.61
France	4.40	4.74	5.05	5.33	5.72	6.24	6.96	8.06	9.17	10.25	11.14	11.46
Germany	12.34	13.64	13.36	13.65	13.83	14.01	14.02	14.09	14.36	14.05	13.93	13.99
Greece	0.65	0.82	1.03	1.43	1.94	2.43	3.08	4.10	5.14	6.21	6.93	7.15
Hungary	n/a	0.05	0.07	0.13	0.33	0.58	0.78	0.92	1.07	1.29	1.56	1.55
Ireland	5.65	7.02	8.62	10.00	12.11	14.98	19.12	24.08	29.29	32.20	33.65	33.18
Italy	1.49	1.78	2.06	2.17	2.51	3.02	3.56	4.17	4.70	5.13	5.16	5.51
Latvia	n/a	0.02	0.06	0.09	0.17	0.31	0.57	1.08	2.02	2.94	3.17	3.04
Lithuania	0.02	0.04	0.04	0.05	0.10	0.19	0.37	0.66	0.88	1.44	1.80	1.80
Luxembourg	9.56	10.43	12.67	14.03	14.97	17.47	19.48	21.99	24.69	29.03	30.79	32.10
Malta	n/a	0.77	0.89	1.96	2.22	2.60	3.09	3.77	4.38	4.94	5.41	5.94
Netherlands	12.71	14.87	17.98	20.46	23.17	24.71	26.66	29.45	32.00	34.14	35.94	36.53
Poland	0.06	0.07	0.10	0.15	0.18	0.23	0.25	0.38	0.60	0.94	1.48	1.48
Portugal	n/a	4.16	4.98	5.59	6.28	6.36	6.79	7.55	8.69	9.52	9.91	10.42
Romania	n/a	n/a	n/a	n/a	n/a	n/a	0.04	0.07	0.11	0.20	0.25	0.27
Slovakia	n/a	n/a	n/a	n/a	0.19	0.26	0.41	0.57	0.78	1.21	1.58	1.70
Slovenia	n/a	0.03	0.03	0.05	0.10	0.13	0.40	0.68	0.98	1.32	1.68	1.95
Spain	3.24	3.88	4.70	5.46	6.39	7.51	9.08	11.05	13.07	14.41	14.89	14.81
Sweden	11.20	12.47	13.41	13.05	13.94	14.96	18.26	19.42	22.45	24.21	23.85	25.50
UK	11.08	13.27	15.21	16.14	17.92	18.68	21.15	23.68	26.52	28.72	23.86	22.21
EU27	6.20	5.38	6.00	6.40	6.54	7.21	7.87	9.09	10.38	11.51	11.97	12.37
Iceland	13.36	15.90	19.11	18.47	20.10	22.23	25.99	35.95	32.77	56.58	n/a	n/a
Norway	12.08	13.98	15.95	17.85	21.47	22.73	24.24	29.82	32.50	37.79	36.24	40.70
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.01	0.05	0.12	0.13	0.13
Turkey	n/a	n/a	n/a	n/a	0.00	0.01	0.02	0.11	0.17	0.27	0.27	0.28
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.04	0.09	0.17	0.22	0.20
USA	14.34	17.92	21.76	23.99	23.53	21.83	22.56	28.64	28.28	27.21	29.08	26.04

Source: European Mortgage Federation National Experts, Eurostat, European Central Bank, National Central Banks, National Statistics Offices, Federal Reserve, US Bureau of Census

Notes:

- *Swedish series has been revised; please note that data after 2004 is not comparable with the earlier data due to a change in the statistical source*
- *UK series has been revised*

3. Covered Bonds as % of GDP

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	n/a	n/a	1.8	1.7	1.6	1.5	1.5	1.8	1.9
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	2.0	2.2	4.4	4.9	6.5	5.5	6.1
Denmark	n/a	95.0	89.5	90.0	115.2	108.6	109.7	118.8	119.0	107.8	109.5	143.3
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	0.2	1.0	1.8	2.5	3.1	4.5
France	n/a	n/a	n/a	n/a	n/a	2.4	2.9	3.3	4.1	5.5	8.2	9.1
Germany	n/a	n/a	12.0	12.1	12.2	11.8	11.2	10.6	9.6	8.5	8.7	9.4
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.1	2.7
Hungary	n/a	n/a	n/a	n/a	n/a	4.8	6.0	5.7	6.6	5.9	6.7	7.6
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	1.3	2.6	6.7	7.2	12.7	18.2
Italy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.4	0.9
Latvia	n/a	n/a	n/a	n/a	n/a	0.4	0.5	0.5	0.4	0.4	0.4	0.5
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.4	0.4	0.4	0.0
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.4	1.4	2.8	3.5	5.0
Poland	n/a	n/a	n/a	n/a	n/a	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.3	4.8	9.2	12.4
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	1.7	3.1	4.1	5.0	5.0	5.5	5.7
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	0.2	0.9	1.2	2.2	4.5	8.0	12.0	18.3	21.8	25.2	28.2	31.8
Sweden	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17.6	27.9	35.9	46.5
UK	n/a	n/a	n/a	n/a	n/a	0.3	0.8	1.5	2.6	4.0	11.2	12.8
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.5	5.3	2.9	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.2	7.1	18.6
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0	0.0	0.0
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0	0.0
USA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.0	0.1	0.1	0.1

Source: European Covered Bond Council, Eurostat

Notes:

- *n/a: figures not available*
- *Austrian figures are estimates*
- *Covered bonds are debt instruments secured by a cover pool of mortgage loans (property as collateral) or public-sector debt to which investors have a preferential claim in the event of default.*
  The covered bonds included in this table are only the first ones.

4. Owner Occupation rate, %

	Latest data available	Owner occupation rate
Austria	2009	56.2
Belgium	2007	78.0
Bulgaria	2002	96.5
Cyprus	2006	68.0
Czech Republic	2001	47.0
Denmark	2009	54.0
Estonia	2008	96.0
Finland	2008	59.0
France	2007	57.4
Germany	2002	43.2
Greece	2009	80.0
Hungary	2003	92.0
Ireland	2009	74.5
Italy	2002	80.0
Latvia	2007	87.0
Lithuania	2008	97.0
Luxembourg	2008	75.0
Malta	2006	75.0
Netherlands	2008	57.2
Poland	2004	75.0
Portugal	2006	76.0
Romania	2009	95.7
Slovakia	2008	88.0
Slovenia	2006	82.0
Spain	2008	85.0
Sweden	2008	66.3
UK	2007	69.5
EU27	/	68.2
Iceland	2008	80-85
Norway	2001	76.7
Russia	2003	63.8
Turkey	2000	68.0
Ukraine	n/a	n/a
USA	2009	67.2

Source: European Mortgage Federation, National Statistics Offices, World Bank, United Nations Economic Commission for Europe, International Union for Housing Finance, Organisation for Economic Co-operation and Development

Notes:

- *n/a: figures not available*
- *Luxembourg: households only*
- *Malta: households only*
- *The EU27 average has been weighted with the national total dwelling stocks*

5. Total dwelling stock, thousand units

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	3,650	3,691	3,727	3,755	n/a	3,822	3,846	3,872	3,910	3,947	3,983	4,016
Belgium	4,582	4,625	4,659	4,711	4,744	4,782	4,820	4,858	4,903	4,950	5,043	n/a
Bulgaria	n/a	n/a	n/a	3,352	3,697	3,697	3,705	3,716	3,729	n/a	3,767	n/a
Cyprus	275	282	288	293	299	305	314	325	341	358	374	n/a
Czech Republic	n/a	n/a	n/a	4,366	4,394	4,421	4,453	4,486	4,516	4,558	4,596	4,635
Denmark	2,495	2,513	2,526	2,541	2,554	2,572	2,592	2,621	2,645	2,670	2,696	2,722
Estonia	620	621	622	623	624	626	629	633	638	645	651	654
Finland	2,449	2,478	2,512	2,544	2,574	2,603	2,635	2,760	2,700	2,732	2,768	n/a
France	28,530	28,816	29,133	29,451	29,768	30,096	30,425	n/a	32,026	32,515	n/a	n/a
Germany	37,529	37,984	38,384	38,682	38,925	39,141	39,362	39,551	39,753	39,918	40,058	40,181
Greece	5,328	5,414	5,476	5,581	5,705	5,829	5,947	6,136	6,299	6,290	6,428	6,398
Hungary	n/a	n/a	n/a	3,724	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	1,329	1,366	1,406	1,448	b	1,575	1,652	1,733	1,804	1,882	1,934	1,960
Italy	26,451	26,498	26,548	26,526	26,649	26,700	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	796	877	958	967	987	998	1,004	1,013	n/a	n/a
Lithuania	1,306	1,324	1,309	1,292	1,295	1,293	1,300	1,300	1,307	1,316	1,328	1,337
Luxembourg	115	117	118	120	121	122	124	125	n/a	n/a	175	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	125	133	135	n/a
Netherlands	6,441	6,522	6,590	6,651	6,710	6,764	6,810	6,859	6,912	6,967	7,029	7,104
Poland	11,729	11,787	11,845	11,946	11,763	12,596	12,758	12,872	12,987	n/a	n/a	13,310
Portugal	4,857	4,953	5,050	5,052	5,053	5,055	5,463	5,462	5,520	n/a	n/a	n/a
Romania	7,860	7,885	7,908	8,107	8,129	8,152	8,177	8,202	8,231	8,271	8,271	8,385
Slovakia	n/a	n/a	n/a	1,885	1,899	1,913	1,926	1,940	1,955	1,970	1,987	2,006
Slovenia	697	706	712	719	785	791	798	805	812	820	830	838
Spain	19,402	19,837	20,376	21,058	21,762	22,425	23,175	23,918	24,626	25,377	26,231	26,769
Sweden	4,271	4,282	4,294	4,308	4,329	4,351	4,380	4,404	4,436	4,470	4,503	4,527
UK	24,913	25,095	25,281	25,462	25,619	25,799	25,987	26,198	26,418	26,652	n/a	n/a
Iceland	102	103	105	107	109	111	114	117	121	126	129	n/a
Norway	1,904	1,923	1,942	1,962	1,982	2,003	2,026	2,055	n/a	2,112	2,140	2,161
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	15,070	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	18,858	n/a	18,921	18,960	19,023	19,049	19,075	19,132	19,107	19,183	19,255	n/a
USA	117,282	119,044	116,231	117,795	119,328	120,924	122,630	124,431	126,198	127,808	129,019	130,159

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, National Statistics Offices, Eurostat, Euroconstruct, US Bureau of Census

Notes:

- *n/a: figures not available*
- *Austrian series has been revised; new series from 2003*
- *Greek series has been revised*

6. Housing Starts

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	48,000	46,000	39,000	37,000	36,450	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Belgium	40,564	41,670	41,087	42,047	39,374	41,134	46,193	54,569	57,125	53,979	48,896	40,385
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	35,027	32,900	32,377	28,983	33,606	36,496	39,037	40,381	43,747	43,796	43,531	37,319
Denmark	18,467	17,744	16,246	20,889	23,270	27,985	30,021	34,462	35,286	24,899	15,848	9,281
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	31,597	34,590	32,309	27,625	28,154	31,377	32,380	34,275	33,997	30,478	23,476	23,040
France	285,000	317,000	309,500	303,000	302,900	322,600	363,400	410,200	420,900	435,400	368,600	298,800
Germany	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Greece	97,294	88,474	89,389	108,021	128,296	127,051	122,148	195,207	167,097	158,241	133,555	112,454
Hungary	19,005	22,912	22,620	42,147	42,279	52,549	52,892	44,206	40,996	38,443	25,482	n/a
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	77,691	77,709	75,602	48,876	22,852	8,604
Italy	151,468	162,939	184,424	189,025	209,228	229,526	268,385	278,602	261,455	250,271	n/a	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	6,128	6,707	9,081	10,409	11,343	n/a	n/a
Netherlands	85,871	83,400	80,100	74,700	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Poland	91,000	90,000	125,000	114,000	77,000	82,000	97,000	102,038	137,962	185,117	174,686	142,901
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	32,950	31,702	37,798	49,795	66,817	87,643	143,139	n/a
Slovakia	16,857	11,168	9,884	12,128	14,607	14,065	16,586	19,796	20,592	18,116	28,321	20,325
Slovenia	6,000	7,000	5,000	6,000	5,000	7,000	6,000	8,000	9,000	11,000	7,000	n/a
Spain	407,650	511,854	534,010	523,839	543,105	623,084	691,876	716,035	760,178	615,976	328,490	159,284
Sweden	12,700	14,600	16,900	19,500	19,100	22,100	27,400	32,000	45,600	28,000	21,700	16,900
UK	187,580	190,340	188,100	192,900	192,740	206,740	227,900	227,160	230,330	216,950	140,520	n/a
Iceland	1,016	1,266	1,643	1,811	2,360	2,688	2,751	4,393	3,746	4,446	3,212	208
Norway	19,646	20,492	22,536	24,191	22,216	22,263	29,399	30,800	32,730	31,223	25,800	19,700
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	765,600	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USA	1,616,900	1,640,900	1,568,700	1,602,700	1,704,900	1,847,700	1,955,800	2,068,300	1,800,900	1,355,000	905,500	554,000

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, National Statistics Offices, Eurostat, US Bureau of Census

Notes:

- *n/a: figures not available*
- *Danish series has been revised*
- *Italian series has been revised*
- *UK series has been revised*

7. Housing Completions

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	57,489	59,447	53,760	45,850	41,914	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Belgium	n/a	n/a	40,253	38,255	36,386	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	8,267	12,059	13,270	18,864	20,924	22,058
Cyprus	6,599	6,327	5,083	6,641	6,059	8,734	11,013	16,416	16,647	16,501	18,195	n/a
Czech Republic	22,183	23,734	25,207	24,759	27,291	27,127	32,268	32,863	30,190	41,649	38,380	38,473
Denmark	18,468	17,517	16,465	17,350	18,957	24,521	27,325	28,432	29,170	31,109	25,705	16,753
Estonia	882	785	720	619	1,135	2,435	3,105	3,928	5,068	7,073	5,300	3,026
Finland	29,842	28,939	32,740	30,592	27,171	28,101	30,662	34,177	33,885	35,264	30,542	21,940
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Germany	500,718	472,805	423,062	326,197	289,601	268,096	278,008	242,316	249,436	210,739	175,927	158,987
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hungary	20,323	19,287	21,583	28,054	31,511	35,543	43,913	41,084	33,864	36,159	36,075	31,994
Ireland	42,349	46,512	49,812	52,602	57,695	68,819	76,954	80,957	93,419	78,027	51,724	26,420
Italy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	1,351	1,063	899	800	794	828	2,821	3,807	5,862	9,319	8,084	4,187
Lithuania	4,176	4,364	4,463	3,785	4,562	4,628	6,804	5,900	7,286	9,315	11,829	9,400
Luxembourg	2,572	3,067	1,671	2,342	2,475	2,199	2,155	1,979	2,266	3,023	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5,298
Netherlands	90,516	78,625	70,650	72,958	66,704	59,629	65,314	67,016	72,382	80,193	78,882	82,932
Poland	80,000	82,000	87,800	106,105	97,595	162,000	108,123	114,060	115,187	133,778	165,192	160,019
Portugal	84,520	105,348	107,887	102,904	50,238	34,839	66,505	59,412	67,525	n/a	n/a	n/a
Romania	n/a	n/a	26,400	27,041	27,722	29,125	30,127	32,868	39,638	47,299	67,255	62,520
Slovakia	8,234	10,745	12,931	10,321	14,213	13,980	12,592	14,863	14,444	16,473	17,184	18,834
Slovenia	7,000	5,000	7,000	7,000	7,000	7,000	7,000	8,000	8,000	8,000	10,000	8,561
Spain	275,596	321,177	366,775	365,660	426,738	459,135	496,785	524,479	585,583	641,419	615,072	387,075
Sweden	11,500	11,700	13,000	15,400	19,900	20,000	25,300	23,000	29,800	30,500	32,000	22,900
UK	181,030	182,000	176,750	173,770	181,960	190,490	203,500	209,590	212,780	224,630	182,830	n/a
Iceland	1,427	1,381	1,258	1,711	2,140	2,311	2,355	3,106	3,294	3,348	2,968	898
Norway	20,659	19,892	18,873	22,147	20,856	20,526	22,809	28,853	n/a	29,677	28,069	21,225
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	90,849	86,155	47,049	41,342	40,792	64,126	73,383	68,056	76,069	n/a
Ukraine	74,000	n/a	63,000	65,000	64,000	62,000	71,000	76,000	82,000	n/a	n/a	n/a
USA	1,474,200	1,604,900	1,573,700	1,570,800	1,648,400	1,678,700	1,841,900	1,931,400	1,979,400	1,502,800	1,119,700	794,400

Source: European Mortgage Federation National Experts, National Statistics Offices, US Bureau of Census

Notes:

- *n/a: figures not available*
- *UK series has been revised*

8. Building Permits

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	50,789	45,459	41,460	40,229	42,281	43,500	43,500	43,800	47,400	45,700	41,400	40,400
Belgium	37,893	45,726	42,921	41,284	43,149	45,032	52,204	59,378	61,155	53,922	52,597	45,508
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	53,049	64,185	49,407	20,166
Cyprus	6,558	6,429	6,096	6,499	6,856	7,548	8,252	9,098	9,794	9,521	8,896	8,950
Czech Republic	36,874	47,035	45,100	45,279	45,961	51,948	51,464	47,974	49,777	47,298	47,389	41,954
Denmark	18,781	17,720	17,204	20,708	24,408	28,543	30,553	35,366	33,111	24,121	15,767	8,697
Estonia	1,133	988	1,076	1,430	3,156	3,421	4,962	6,003	7,246	6,414	4,507	2,663
Finland	33,947	39,045	36,939	30,162	31,235	35,923	35,046	37,135	36,370	32,711	27,071	26,867
France	375,100	340,800	358,800	356,200	350,900	385,300	460,800	511,700	561,700	547,800	455,700	348,300
Germany	477,707	437,584	350,549	291,084	274,120	296,854	268,123	240,468	247,541	182,336	174,595	177,939
Greece	71,790	66,327	68,580	75,325	82,224	83,598	80,842	95,032	81,301	76,969	64,977	55,679
Hungary	23,442	30,577	44,709	47,867	48,762	59,241	57,459	51,490	44,826	44,276	43,862	28,400
Ireland	16,719	23,595	26,332	23,613	19,728	20,949	27,512	25,334	22,774	22,253	17,491	10,380
Italy	175,708	187,030	203,615	206,993	228,414	250,796	296,498	305,706	289,891	276,702	220,000	187,000
Latvia	n/a	n/a	n/a	2,256	2,838	3,421	4,962	6,003	7,246	6,414	4,507	2,663
Lithuania	n/a	n/a	2,038	2,053	2,415	2,989	4,155	5,500	7,482	8,869	8,189	5,994
Luxembourg	3,215	3,739	3,411	2,846	2,956	3,364	3,919	4,692	4,411	4,934	4,017	3,695
Malta	3,004	2,273	2,369	4,180	5,481	6,128	6,707	9,081	10,409	11,343	6,836	5,298
Netherlands	87,673	84,201	78,563	62,326	67,183	72,454	76,180	83,273	96,447	87,918	87,198	72,646
Poland	78,000	106,000	70,000	81,000	39,000	61,000	105,831	115,862	160,545	236,731	223,372	168,440
Portugal	47,998	52,004	49,673	47,647	47,194	43,095	79,236	73,112	71,685	65,103	45,366	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	43,542	51,065	56,618	61,092	48,833
Slovakia	16,857	11,168	9,884	12,128	14,607	14,065	16,586	19,796	20,592	18,116	28,321	20,325
Slovenia	n/a	5,000	4,000	4,000	4,000	5,000	6,000	6,000	8,000	9,000	8,000	5,209
Spain	429,820	515,493	535,668	499,605	524,182	636,332	687,051	729,652	865,561	651,427	264,795	111,140
Sweden	13,800	15,300	18,500	22,000	18,700	25,300	28,400	34,300	45,200	28,900	24,100	20,300
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	2,336	2,319	2,287	1,466	1,177	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	79,140	77,430	43,430	50,140	75,495	114,254	114,204	106,659	95,193
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USA	1,441,100	1,612,300	1,663,500	1,592,300	1,747,700	1,889,200	2,052,100	2,070,100	2,155,300	1,838,900	1,398,400	905,400

Source: European Mortgage Federation National Experts, National Statistics Offices, US Bureau of Census

Notes:

- *n/a: figures not available*
- *Italian series has been revised; please note that the 2008 and 2009 figures are estimates*

9. Number of Transactions

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Belgium	107,714	114,577	108,073	110,973	116,142	119,935	118,777	118,549	121,043	125,407	121,142	112,719
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Denmark	76,438	70,622	71,290	67,953	67,982	70,568	79,566	85,196	71,905	70,225	53,248	40,713
Estonia	6,918	9,171	14,674	20,433	25,718	35,526	42,939	56,131	60,208	49,464	33,987	26,278
Finland	90,467	93,736	68,540	68,757	68,112	71,374	73,939	81,208	77,121	77,884	70,245	75,000
France	658,000	742,000	785,000	778,000	792,000	803,000	804,000	802,000	n/a	n/a	n/a	n/a
Germany	623,000	567,000	483,000	498,000	500,000	492,000	441,000	503,000	442,000	457,000	456,000	440,000
Greece	n/a	n/a	n/a	n/a	158,599	149,629	165,988	215,148	172,897	167,699	157,978	94,801
Hungary	n/a	n/a	n/a	53,005	91,979	97,819	72,647	85,124	109,058	82,867	101,831	81,997
Ireland	68,925	78,572	80,856	69,062	93,136	97,888	104,305	110,495	110,790	84,194	53,616	25,097
Italy	576,340	639,617	688,284	661,379	753,578	807,157	804,126	833,350	845,051	809,177	686,587	609,145
Latvia	n/a	n/a	22,473	31,647	40,524	51,306	63,600	68,700	n/a	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	4,350	4,734	4,613	4,791	5,170	5,058	4,908	5,011	n/a	3,177	3,001	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	192,622	204,538	189,358	195,737	198,386	193,406	191,941	206,629	209,767	202,401	182,392	127,532
Poland	293,000	321,000	270,000	262,000	243,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	n/a	n/a	n/a	326,732	329,301	300,105	276,292	300,044	285,483	281,365	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	535,000	682,000	521,000	484,000	352,000
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,900	n/a
Spain	n/a	n/a	n/a	n/a	n/a	n/a	848,390	901,574	955,186	836,871	564,464	463,719
Sweden	48,600	56,900	50,946	50,674	51,615	54,253	56,248	59,224	58,751	64,221	56,983	51,548
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,670,000	1,613,000	901,000	859,000
Iceland	10,195	11,579	10,201	9,430	10,100	11,960	14,359	15,836	11,897	15,247	6,238	3,675
Norway	136,595	144,609	151,815	156,391	158,882	161,775	167,456	177,094	179,280	183,035	166,789	165,968
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	313,000	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USA	5,852,000	6,063,000	6,051,000	6,243,000	6,605,000	7,261,000	7,981,000	8,359,000	7,529,000	6,428,000	5,394,000	5,530,000

Source: European Mortgage Federation National Experts, National Central Banks, National Statistics Offices, US Bureau of Census

Notes:

- *n/a: figures not available*
- *Belgium: transactions on second hand houses only*
- *Estonia: revised series*
- *France: new apartments as principal and secondary residence or rental*
- *Ireland: estimate based on mortgage approvals*
- *Netherlands: existing dwellings; revised series*
- *Portugal: urban areas only*
- *Spain: Ministry of Housing data, including transactions of all type of dwellings (new, second-hand, subsidised)*
- *Sweden: one and two dwelling buildings only*
- *UK series has been revised, based on a new HM Revenue and Customs series for the UK – before that the source was the Land Registry figures, which are England and Wales only*
- *Norwegian series has been revised*
- *Hungarian series has been revised*

10. Nominal House Price Indices, 2000=100

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	100.0	99.7	100.1	97.4	102.1	105.2	109.1	109.1	112.4
Belgium	90.4	96.3	100.0	106.5	115.2	122.8	135.4	182.6	202.7	219.1	220.7	224.5
Bulgaria	99.5	100.8	100.0	100.3	102.2	114.6	169.1	231.0	264.9	341.5	426.7	335.6
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	79.4	85.6	100.0	106.9	132.5	146.7	146.5	148.3	148.4	191.8	217.1	n/a
Denmark	87.0	92.7	100.0	106.3	109.1	114.7	126.3	154.2	182.4	186.3	171.7	158.8
Estonia	n/a	n/a	n/a	n/a	100.0	119.7	170.9	242.7	293.5	314.6	224.9	151.4
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
France	85.2	92.1	100.0	108.1	117.9	131.4	154.5	177.2	194.8	205.9	199.9	191.1
Germany	98.0	99.0	100.0	101.0	101.0	100.0	100.6	104.2	104.5	104.2	108.7	107.3
Greece	81.5	89.4	100.0	114.4	130.2	137.3	140.5	155.8	174.7	185.1	188.2	181.4
Hungary	36.3	53.8	100.0	117.3	134.5	160.4	173.0	177.2	186.3	195.2	197.3	184.5
Ireland	62.7	78.7	100.0	104.4	118.3	134.5	146.1	159.7	178.5	165.5	150.4	122.6
Italy	n/a	n/a	n/a	n/a	n/a	n/a	100.0	107.0	116.5	122.9	124.5	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	87.5	93.6	100.0	110.4	121.2	136.0	154.4	172.2	178.2	180.9	185.8	181.9
Malta	92.0	96.8	100.0	104.3	110.6	122.8	153.8	160.3	175.0	171.9	173.7	165.0
Netherlands	68.0	81.2	100.0	109.5	116.1	119.1	123.6	129.4	137.1	144.3	148.2	138.5
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	83.4	91.2	100.0	105.3	106.0	107.4	108.3	111.2	113.5	112.2	106.0	106.2
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	100.0	139.6	161.2	144.6	168.9	209.2	255.3	227.0
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	83.4	92.3	100.0	111.1	130.4	154.5	181.1	204.2	222.8	233.5	226.0	211.8
Sweden	80.8	89.0	100.0	108.0	114.8	122.4	134.2	147.1	163.9	181.4	186.7	187.1
UK	75.8	85.7	100.0	108.4	126.8	146.7	164.1	173.1	184.0	204.1	202.1	186.4
euro area	81.9	90.6	100.0	106.9	115.9	128.2	139.2	150.2	161.5	170.0	173.2	165.8
EU27	80.6	89.7	100.0	106.9	116.0	128.1	142.5	160.5	174.2	188.3	190.6	177.4
Iceland	69.5	83.0	100.0	106.3	111.3	124.5	140.4	190.0	214.1	235.9	226.8	205.2
Norway	74.8	84.3	100.0	107.0	112.3	114.2	125.8	136.2	154.9	174.3	172.4	175.7
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USA	92.2	95.9	100.0	106.6	114.9	124.5	136.1	152.9	154.5	152.5	138.0	120.8

Source: European Mortgage Federation, National Statistics Offices, OECD, ECB (for the euro area), US Bureau of Census

Notes:

- *n/a: figures not available*
- *Standardised national house price indices on national values*

11. Nominal House Prices, annual change, %

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	3.5	-0.3	0.4	-2.7	4.8	3.1	3.7	0.0	3.0
Belgium	4.8	6.5	3.9	6.4	8.2	6.6	10.3	34.8	11.0	8.1	0.7	1.7
Bulgaria	13.3	1.3	-0.8	0.3	1.8	12.2	47.5	36.6	14.7	28.9	24.9	-21.4
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10.0	15.0	13.0	-8.0
Czech Republic	n/a	7.3	14.4	6.9	23.9	10.7	-0.1	1.2	0.1	29.2	13.2	n/a
Denmark	9.1	6.1	7.3	6.3	2.6	5.2	10.1	22.1	18.3	2.1	-7.8	-7.5
Estonia	n/a	n/a	n/a	n/a	16.9	19.7	42.7	42.1	20.9	7.2	-28.5	-32.7
Finland	10.2	8.8	n/a	-0.9	7.9	6.1	7.1	n/a	7.4	5.6	0.5	-0.3
France	2.9	7.5	7.9	8.1	9.0	11.5	17.6	14.7	9.9	5.7	-2.9	-4.4
Germany	-1.0	1.0	1.0	1.0	0.0	-1.0	0.6	3.6	0.3	-0.3	4.3	-1.3
Greece	14.4	8.8	10.6	14.4	13.8	5.4	2.3	10.9	12.1	5.9	1.7	-3.6
Hungary	23.0	32.5	46.2	17.3	14.7	19.3	7.8	2.4	5.2	4.8	1.0	-6.5
Ireland	28.8	20.4	21.3	4.4	13.3	13.7	8.6	9.3	11.8	-7.3	-9.1	-18.5
Italy	2.0	6.7	8.6	7.9	10.0	10.7	n/a	7.0	8.8	5.5	1.3	n/a
Latvia	n/a	n/a	n/a	n/a	14.0	17.5	9.4	12.9	60.7	4.2	-18.4	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	5.2	6.5	6.4	10.4	9.8	12.2	13.6	11.5	3.5	1.5	2.7	-2.1
Malta	8.5	4.9	3.2	4.3	6.0	11.0	25.2	4.2	9.2	-1.8	1.0	-5.0
Netherlands	10.1	16.3	18.8	9.5	6.0	2.5	3.9	4.7	5.9	5.3	2.7	-6.5
Poland	n/a	n/a	7.2	10.0	-4.2	-6.9	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	5.8	8.6	8.8	5.3	0.7	1.3	0.8	2.7	2.1	-1.2	-5.5	0.2
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	39.6	15.5	-10.3	16.8	23.9	22.0	-12.5
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	0.1	0.1	0.1	n/a	-2.0	-3.4
Spain	7.7	9.6	7.7	11.1	17.3	18.5	17.2	12.8	9.1	4.8	-3.2	-6.3
Sweden	9.6	9.2	11.0	8.0	6.3	6.6	9.6	9.6	11.4	10.7	2.9	0.2
UK	10.9	11.5	14.3	8.4	17.0	15.7	11.8	5.5	6.3	10.9	-0.9	-7.8
euro area	2.7	4.9	5.9	5.4	6.7	6.3	6.9	7.4	6.6	4.5	1.5	-3.1
EU27	10.4	10.1	11.6	7.5	9.3	10.9	11.8	11.1	10.8	7.9	0.6	-6.8
Iceland	6.4	16.2	17.0	6.3	4.7	11.8	12.8	35.3	12.7	10.2	-3.9	-9.5
Norway	8.5	11.2	15.7	7.0	5.0	1.7	10.2	8.3	13.7	12.6	-1.1	1.9
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USA	5.4	3.9	4.1	6.6	7.8	8.4	9.3	12.4	1.0	-1.3	-9.5	-12.4

Source: European Mortgage Federation, National Statistics Offices, OECD, ECB (for the euro area), US Bureau of Census, Nomisma

Notes:

- *n/a: figures not available*
- *Austria: new series from 2000; other areas than Vienna*
- *Belgium: average prices of existing houses*
- *Cyprus: new and existing houses and flats*
- *Estonia: Tallinn area house price index*
- *Denmark: all dwellings; series has been revised*
- *Germany: from 1998 to 2002, Deutsche Bundesbank calculations based on data provided by BulwienGesa AG; from 2003 to 2009, vdp Price Index for Single Family Houses, calculated by vdp Research*
- *Finland: new series from 2000; another break in series in 2005*
- *France: second hand dwellings only*
- *Greece: urban areas only; new series from 2007*
- *Hungary: only urban housing; new series from 2004*
- *Iceland: Reykjavik capital region*
- *Ireland: ESRI average price of all residential property approved for mortgage*
- *Latvia: average residential house prices in Riga*
- *Netherlands: existing dwellings; series has been revised*
- *Norway: new series from 2005*
- *Italy: all dwellings; residential house price index starting from 2004*
- *Poland: new series from 2007*
- *Slovenia: second-hand dwellings*
- *Spain: all dwellings; series has been revised*
- *Sweden: one and two dwellings buildings*
- *UK: Department of Communities and Local Government Index (all dwellings)*
- *USA: all dwellings*

12. Building Prices, annual change, %

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	1.0	0.2	0.9	1.1	0.7	1.3	2.2	2.0	2.6	2.4	2.0	2.0
Belgium	2.7	1.7	4.2	5.7	1.5	2.3	5.3	3.7	5.9	2.6	4.5	-3.9
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	2.6	2.6	1.1	5.8	7.5	12.2	16.8	7.7	5.6	5.1	8.1	-2.9
Czech Republic	11.3	0.3	-0.6	4.5	2.3	6.4	4.7	7.5	5.6	4.8	6.2	5.8
Denmark	2.9	3.4	2.3	3.7	2.2	2.6	2.0	2.3	4.7	6.3	2.9	-0.4
Estonia	8.0	2.4	2.3	5.8	4.2	3.6	5.6	6.5	10.5	12.6	3.4	-8.5
Finland	2.3	2.2	2.7	2.7	0.9	2.6	3.7	-19.6	3.8	5.9	3.9	n/a
France	0.0	0.9	2.7	3.4	2.5	2.4	5.6	2.3	6.6	4.1	7.9	-3.1
Germany	-0.9	0.0	0.0	0.0	0.0	0.0	1.6	0.8	1.6	7.0	2.9	0.7
Greece	6.7	4.8	2.3	2.2	3.0	2.5	3.0	3.2	5.0	3.4	2.7	n/a
Hungary	n/a	n/a	11.7	10.4	6.0	3.7	5.8	3.8	6.4	6.6	7.8	3.0
Ireland	4.1	4.8	3.8	18.2	6.2	2.6	3.1	2.7	3.8	4.1	3.5	-1.2
Italy	-0.8	1.6	3.1	9.8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	-2.3	0.1	2.4	11.8	20.2	58.0	4.3	-13.8	n/a
Lithuania	-3.9	-3.1	-1.3	-1.4	0.5	1.0	5.0	1.4	2.0	5.3	-5.7	n/a
Luxembourg	1.8	2.1	3.1	4.2	2.6	2.0	2.9	3.1	2.6	3.1	3.2	1.1
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	3.7	6.2	5.0	7.2	10.4	4.1	-2.6	2.1	10.0	4.9	n/a	n/a
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.0	2.9	n/a	n/a	n/a
Portugal	2.6	3.3	3.2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	0.0	3.9	6.0	0.0	3.5	1.4	7.0	n/a	7.0	4.9	4.9	0.8
Sweden	2.9	1.5	4.5	4.5	3.5	2.6	3.1	3.8	5.2	6.3	5.0	0.8
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	3.6	2.3	3.0	5.8	7.6	3.4	4.1	5.4	7.9	9.7	14.4	15.2
Norway	4.2	2.8	4.6	5.0	2.9	3.7	2.7	3.3	3.8	7.4	5.7	2.4
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Mortgage Federation National Experts, National Statistics Offices

Notes:

- *Austrian series has been revised*
- *Cyprus: new series from 2000*
- *Estonian series has been revised*
- *Hungary: new series from 2000*
- *Spain: new series from 2005*

13. Total Outstanding Residential Loans, EUR million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	29,632	35,998	39,746	48,078	53,815	60,737	65,070	71,346	72,487
Belgium	60,373	65,789	69,988	69,240	74,460	82,900	89,414	101,092	114,105	126,383	137,016	146,329
Bulgaria	n/a	43	54	79	120	205	510	1,006	1,745	2,868	3,960	4,268
Cyprus	308	490	584	680	870	1,162	1,487	4,140	5,421	6,935	8,501	10,388
Czech Republic	n/a	n/a	n/a	n/a	1,531	2,438	3,682	6,016	8,055	12,521	16,014	16,975
Denmark	104,782	111,916	117,458	127,380	136,684	147,860	156,989	176,025	194,978	211,381	222,403	231,263
Estonia	185	215	286	387	593	954	1,500	2,618	4,278	5,568	6,206	6,111
Finland	n/a	n/a	n/a	n/a	29,273	36,047	41,543	48,489	55,307	62,172	67,632	71,860
France	263,500	285,100	305,300	324,600	350,700	385,400	432,300	503,600	577,800	651,900	710,000	737,600
Germany	1,012,998	1,118,786	1,097,914	1,122,809	1,139,830	1,156,341	1,157,026	1,162,588	1,183,834	1,155,742	1,145,404	1,146,969
Greece	7,074	8,864	11,272	15,652	21,225	26,778	34,052	45,420	57,145	69,363	77,700	80,559
Hungary	n/a	506	723	1,300	3,318	5,896	7,934	9,305	10,750	12,970	15,626	15,543
Ireland	20,855	26,186	32,546	38,343	47,212	59,362	77,029	98,956	123,288	139,842	148,115	147,654
Italy	84,652	101,037	117,020	123,831	142,844	173,357	206,341	243,622	276,102	304,223	307,832	330,585
Latvia	n/a	48	133	220	389	722	1,311	2,486	4,636	6,699	7,188	6,866
Lithuania	87	138	146	185	337	669	1,259	2,270	2,999	4,853	6,060	6,032
Luxembourg	4,037	4,458	5,494	6,157	6,647	7,830	8,797	10,006	11,345	13,847	14,901	15,842
Malta	n/a	292	337	768	878	1,030	1,256	1,521	1,770	2,015	2,220	2,458
Netherlands	199,003	234,385	285,252	327,045	373,198	400,153	433,383	480,191	522,623	558,982	589,532	602,192
Poland	2,252	2,745	3,968	5,764	7,061	8,693	9,642	14,646	22,795	35,966	56,539	56,569
Portugal	n/a	42,180	50,735	57,365	64,838	66,233	71,101	79,452	91,895	101,094	105,210	110,685
Romania	n/a	n/a	n/a	n/a	n/a	n/a	921	1,449	2,280	4,262	5,485	5,700
Slovakia	n/a	n/a	n/a	n/a	1,011	1,415	2,196	3,078	4,212	6,529	8,536	9,226
Slovenia	n/a	52	65	99	201	263	800	1,368	1,956	2,670	3,398	3,972
Spain	128,328	154,556	188,165	220,913	261,921	312,916	384,631	475,571	571,803	646,676	674,434	678,872
Sweden	99,135	110,386	118,828	115,918	124,159	133,794	163,905	174,974	203,085	221,434	218,976	236,062
UK	647,291	777,452	894,105	952,408	1,061,408	1,110,477	1,262,443	1,422,128	1,602,576	1,745,904	1,459,858	1,372,659
EU27	2,634,861	3,045,623	3,300,374	3,540,776	3,886,705	4,162,639	4,599,529	5,125,832	5,717,520	6,177,869	6,090,092	6,125,727
Iceland	3,640	4,384	5,333	5,233	5,759	6,412	7,551	10,553	9,828	17,710	n/a	n/a
Norway	53,377	62,148	71,416	80,370	97,129	103,460	110,967	137,373	150,794	176,873	171,689	195,342
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,500	6,859	17,463	18,175	18,653
Turkey	n/a	n/a	n/a	n/a	284	457	1,406	8,080	12,453	18,794	19,386	20,380
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,787	4,101	7,716	10,133	9,148
USA	3,954,600	5,000,495	6,139,084	6,838,413	6,772,366	6,336,643	6,610,382	8,470,395	8,444,486	8,204,598	8,850,770	7,994,457

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, National Statistics Offices, Federal Reserve

Notes:

- *n/a: figures not available*
- *Swedish series has been revised; please note that data after 2004 is not comparable with the earlier data due to a change in the statistical source*
- *Cypriot series has been revised*
- *Ukrainian series has been revised*

14. Gross Residential Loans, EUR million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Belgium	12,341	17,622	9,513	9,622	11,688	18,134	17,264	25,198	24,328	22,825	21,531	22,076
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	735	1,202	1,590	2,609	4,094	5,395	4,935	2,689
Denmark	33,639	29,303	18,818	33,509	33,870	52,551	46,489	77,592	49,993	43,272	36,964	49,703
Estonia	63	87	120	176	301	508	806	1,471	2,339	2,137	1,434	446
Finland	9,058	8,443	7,457	8,787	8,202	18,849	19,624	28,599	27,000	28,931	26,669	19,739
France	52,128	70,347	63,700	66,200	78,500	95,800	113,400	134,500	149,080	146,800	122,000	103,900
Germany	150,800	153,200	116,500	110,900	103,400	112,300	108,600	109,600	114,200	119,600	121,300	114,600
Greece	n/a	n/a	n/a	n/a	n/a	5,905	8,036	13,610	15,444	15,199	12,435	7,966
Hungary	n/a	n/a	n/a	597	2,031	n/a	n/a	1,933	2,944	2,911	n/a	n/a
Ireland	4,587	6,517	7,598	7,664	10,825	13,524	16,933	34,114	39,872	33,808	23,049	8,076
Italy	26,446	41,162	42,704	44,245	53,173	59,850	68,544	79,525	89,657	94,131	86,778	75,292
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,734	n/a	n/a	n/a	n/a
Lithuania	n/a	48	56	103	211	348	594	866	1,172	1,854	1,810	1,051
Luxembourg	1,483	1,651	1,676	1,906	2,308	2,745	3,386	3,957	4,376	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	226	266	245	205	238
Netherlands	60,028	78,032	69,593	72,609	81,385	95,996	87,164	114,134	119,872	108,725	91,881	61,824
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,752	4,550	5,369	2,769	9,330
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,119	3,648	7,864	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	923
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	672	1,456
Spain	35,910	40,959	47,420	55,265	70,527	91,387	109,028	139,315	156,408	135,576	83,780	68,918
Sweden	16,705	19,501	19,477	22,292	23,735	29,558	33,299	43,885	41,289	43,895	33,776	39,909
UK	126,691	173,800	196,384	258,263	350,376	401,945	425,604	421,253	504,654	529,900	319,012	161,087
EU27	529,880	640,673	601,015	692,138	831,268	1,000,602	1,060,362	1,240,992	1,355,187	1,348,436	990,998	749,223
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,599	7,727	15,897	17,644	3,500
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,938	8,626	8,718	8,057	9,811
Ukraine	n/a	n/a	n/a	92	188	493	585	1,837	n/a	n/a	n/a	n/a
USA	1,228,814	1,224,299	1,139,130	2,461,111	3,036,842	3,491,150	2,354,839	2,516,129	2,365,079	1,773,723	1,020,408	1,305,755

Source: European Mortgage Federation National Experts, National Central Banks, Federal Reserve

Notes:

- *n/a: figures not available*
- *Danish series has been revised*
- *Finnish series has been revised*
- *Swedish series has been revised*

15. Net Residential Loans, EUR million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	n/a	6,366	3,748	8,332	5,737	6,854	4,333	6,276	1,141
Belgium	2,568	5,417	2,478	443	4,720	6,253	6,302	10,036	10,748	11,949	11,781	10,124
Bulgaria	n/a	15	11	24	41	85	306	496	741	n/a	1,092	308
Cyprus	n/a	182	93	97	190	292	325	2,653	1,281	1,514	1,566	1,887
Czech Republic	n/a	n/a	n/a	n/a	n/a	957	1,247	2,073	1,733	4,299	2,331	1,296
Denmark	7,312	5,493	5,480	7,523	8,542	9,853	8,712	17,781	17,831	15,784	11,172	8,796
Estonia	48	30	71	101	206	361	546	1,118	1,660	1,348	584	-95
Finland	2,430	2,880	2,750	3,503	4,152	7,100	7,821	7,804	8,308	6,865	6,310	n/a
France	9,500	21,600	20,200	19,300	26,100	34,700	45,200	65,500	74,200	74,100	48,900	36,800
Germany	60,357	68,942	40,172	27,004	19,311	20,600	7,858	5,738	3,421	-9,754	-7,561	567
Greece	1,237	1,790	2,408	4,380	5,573	5,553	7,274	11,368	11,725	12218.3	8,337	2,859
Hungary	n/a	7	233	544	1,954	2,833	1,718	1,526	1,939	2,019	1,866	148
Ireland	3,659	5,331	6,360	5,797	8,869	12,151	17,787	21,927	24,332	16,554	8,273	-461
Italy	10,050	16,384	14,982	6,811	19,013	30,513	32,984	37,281	32,480	28,121	3,609	22,753
Latvia	n/a	48	80	88	196	350	575	1,186	2,171	2,071	494	n/a
Lithuania	37	39	-18	43	146	331	591	872	1,128	1,854	1,207	-29
Luxembourg	421	421	1,036	663	490	1,183	967	1,209	1,339	2,502	2,093	941
Malta	n/a	n/a	40	424	144	184	208	271	248	n/a	n/a	n/a
Netherlands	27,612	35,382	50,867	41,793	46,153	26,955	33,230	46,808	42,432	36,359	30,550	12,660
Poland	295	674	1,075	1,434	1,573	2,501	1,192	3,911	7,402	11,620	23,156	5,369
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	902	1,511	1,703	43	5,476
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,195	790	1,852	1,760	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	375	729	801	1,018	1,893	n/a	923
Slovenia	n/a	n/a	5	32	107	95	563	570	588	n/a	727	16
Spain	24,034	26,228	33,608	43,048	41,008	50,995	71,715	90,940	96,232	74,873	27,757	4,438
Sweden	158	3,611	3,742	7,488	6,975	9,097	11,760	19,474	21,355	21,831	19,032	19,128
UK	35,770	57,192	66,813	86,923	125,122	146,497	147,158	133,209	161,396	158,034	51,653	12,910
EU27	185,489	251,665	252,486	257,463	326,949	373,562	415,101	492,386	534,862	483,943	263,008	147,954
Iceland	260	541	672	805	451	684	1,175	2,142	421	n/a	n/a	n/a
Norway	4,883	4,701	7,448	8,723	10,597	12,334	12,036	18,833	20,498	18,229	17,059	12,131
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,021	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	326	1,845	10,404	10,353	9,053	6,837	5,618
Ukraine	n/a	n/a	n/a	n/a	71	267	141	1,166	2,617	4,332	6,838	4,994
USA	330,508	436,542	493,913	660,111	835,474	786,637	857,339	951,048	885,238	581,241	-43,265	-158,417

Source: European Mortgage Federation National Experts, National Central Banks, Federal Reserve

Notes:

- *n/a: figures not available*
- *Danish series has been revised*
- *Swedish series has been revised: please note that data after 2005 is not comparable with the earlier data due to a change in the statistical source*

16. Total Outstanding Non Residential Loans, EUR million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	36,712	35,184	35,371	31,929	31,673	n/a	n/a	n/a	n/a
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	553	983	1,314	1,750	2,550	3,487	5,070	5,416
Denmark	33,267	35,136	35,861	37,640	40,683	43,679	46,366	50,210	54,173	61,555	71,141	76,855
Estonia	1,527	1,704	2,188	2,601	3,193	4,420	5,915	8,018	11,369	15,307	16,626	15,642
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Germany	199,058	207,797	217,645	223,644	232,701	257,432	258,045	258,569	256,332	260,008	254,862	255,721
Greece	1,505	1,608	1,811	2,172	2,903	3,247	4,040	4,190	4,194	4,774	n/a	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	3,409	4,251	4,925	6,384	8,046	7,257	10,072	11,792	16,137	18,548	16,881	15,440
Italy	58,866	66,030	69,298	74,745	78,297	80,805	93,101	104,399	121,294	132,720	130,961	131,317
Latvia	n/a	n/a	n/a	203	385	519	825	1,048	1,539	2,560	2,634	2,513
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	12,187	12,758	13,728	13,805	18,509	20,157	23,204	24,317	25,065	23,440	23,772	n/a
Poland	n/a	n/a	n/a	n/a	718	1,141	1,732	2,316	3,673	5,540	8,755	8,492
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	15,720	n/a	n/a	n/a	n/a	84,397
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,454	8,876	17,212	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	39,401	21,933
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,855
Spain	51,296	64,483	73,864	91,200	115,092	154,952	197,801	263,763	339,620	400,765	414,512	420,669
Sweden	99,135	110,386	118,828	115,918	124,159	133,794	163,905	174,974	203,085	221,434	218,976	236,062
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	224	618	1,081	1,651	1,687	1,438
Ukraine	n/a	n/a	n/a	7	13	38	49	167	n/a	n/a	n/a	n/a
USA	789,369	1,041,543	1,292,321	1,422,456	1,344,987	1,218,297	1,244,705	1,619,011	1,663,892	1,692,588	1,917,317	1,700,766

Source: European Mortgage Federation National Experts, National Central Banks, Federal Reserve

Notes:

- *n/a: figures not available*
- *Swedish series has been revised due a change in the statistical source*

17. Gross Non Residential Loans, EUR million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	249	293	546	709	899	1,312	2,213	706
Denmark	14,227	13,545	5,841	11,391	10,797	16,329	12,305	22,827	12,910	18,025	17,382	14,249
Estonia	105	105	194	256	363	412	702	1,564	2,893	9,581	8,316	4,080
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Germany	n/a	n/a	23,500	22,100	22,100	24,900	25,000	26,900	38,200	56,700	41,700	33,100
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Italy	16,044	22,444	23,358	21,963	26,832	29,320	31,241	35,821	43,527	42,502	38,540	32,249
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	413	552	638	828	823	1,108	779	784	906	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	33,564	40,270	36,988	49,226	42,972	64,138	n/a	n/a	n/a	n/a	n/a	n/a
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	39,509	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,040	n/a
Spain	23,440	28,458	27,857	34,472	45,047	63,411	86,266	110,756	127,682	121,072	99,335	88,703
Sweden	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	9	19	49	58	184	n/a	n/a	n/a	n/a
USA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Source: European Mortgage Federation National Experts, National Central Banks

Notes:

- *n/a: figures not available*
- *Swedish series has been revised due a change in the statistical source*

18. Net Non Residential Loans, EUR million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	449	332	218	731	456	1,876	448
Denmark	-2,650	1,937	1,180	2,431	2,913	2,961	3,600	3,945	3,807	7,275	10,086	5,936
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,348	243	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Germany	11,155	11,155	8,742	6,123	2,822	2,978	-6,840	-2,441	-4,673	-4,642	-1,186	-1,010
Greece	141	103	203	330	731	585	551	150	4	580	n/a	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	585	842	674	1,459	1,662	-790	959	1,720	4,345	2,411	-1,667	-1,441
Italy	34,387	7,163	4,269	5,627	3,552	2,508	12,300	11,298	16,895	11,426	-1,759	356
Latvia	n/a	n/a	n/a	336	103	265	322	935	1,676	-755	349	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	1,410	571	970	77	4,704	1,648	3,047	1,113	748	-1,625	332	n/a
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	860	n/a
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7,113
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,109	8,534	16,715	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	532
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8,747	n/a
Spain	7,134	13,090	9,382	13,172	23,892	39,860	42,849	65,962	75,858	61,144	13,748	6,157
Sweden	158	3,611	3,742	7,488	6,975	9,097	11,760	19,474	21,355	21,831	19,032	19,128
UK	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	39	103	7	189	n/a	n/a	n/a	n/a	n/a
USA	95,888	115,870	122,000	105,474	112,566	138,871	202,016	220,556	195,328	85,306	-66,978	95,888

Source: European Mortgage Federation National Experts, National Central Banks, Federal Reserve

Notes:

- *n/a: figures not available*
- *Swedish series has been revised due a change in the statistical source*

19. Loan-to-Value Ratios for mortgage loans, national averages, %

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Belgium	n/a	n/a	n/a	n/a	80.0	80.0	n/a	80.0	80.0	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	55.0	53.0	56.0	56.0	55.0
Denmark	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	70.0	70.0	70.0	70.0	70.0
France	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Germany	n/a	68.0	n/a	n/a	71.0	n/a	n/a	n/a	72.0	n/a	n/a	74.0
Greece	n/a	n/a	n/a	n/a	n/a	56.0	58.0	n/a	n/a	n/a	n/a	n/a
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	47.0	54.0	58.0	61.0	67.0	69.0
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Italy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	75.0	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	n/a	n/a	n/a	n/a	n/a	n/a	n/a	83.0	n/a	n/a	n/a	80.0
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	50.0-80.0
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	54.0	56.0	n/a	n/a	n/a
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	68.4	69.5
Slovakia	n/a	n/a	n/a	n/a	n/a	60.0	80.0	80.0	85.0	80.0	85.0	70.0
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	60.5	52.0	55.5
Spain	n/a	n/a	n/a	n/a	n/a	n/a	64.1	64.2	63.8	62.8	59.8	56.2
Sweden	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
UK	87.2	85.3	84.3	81.9	80.0	75.0	72.4	77.9	80.0	80.0	76.0	73.8
Iceland	65.0	65.0	65.0	65.0	65.0	90.0	90.0	80.0	80.0	80.0	80.0	80.0
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	70.0	80.0	85.0	80.0	75.0	50.0
USA	80.1	78.8	77.4	77.3	77.7	77.9	76.0	75.2	75.4	77.1	76.2	n/a

Source: European Mortgage Federation National Experts, European Central Bank, National Central Banks, Federal Housing Finance Board

Notes:

- *n/a : figure not available*
- *Germany: average for clients of mortgage banks and commercial banks*
- *Iceland: first-time buyers*
- *Spain: new lending only*
- *Slovakia: first-time buyers only*
- *USA: average LTV For conventional Single- Family Homes (annual National Average)); series has been revised*

20. Representative Interest Rates on new mortgage loans, %

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	6.00	6.00	7.13	6.00	5.38	4.41	3.90	3.58	3.80	4.79	5.32	3.71
Belgium	5.40	7.10	7.25	6.90	6.55	6.00	5.15	4.95	5.40	4.93	4.99	4.43
Bulgaria	17.80	17.85	15.86	15.14	13.14	12.62	10.58	6.88	8.50	10.40	10.23	9.72
Cyprus	8.00	8.00	8.00	7.00	6.78	6.30	7.30	6.22	5.74	5.61	6.47	5.01
Czech Republic	n/a	n/a	n/a	n/a	n/a	5.00	4.74	3.98	4.36	5.34	5.69	5.61
Denmark	6.29	7.37	7.24	6.40	5.66	5.45	4.97	4.44	5.22	5.94	6.58	5.19
Estonia	12.70	11.80	13.10	10.30	7.40	4.60	3.70	3.70	4.40	6.20	8.20	5.90
Finland	5.60	5.00	6.50	5.30	4.10	3.48	3.14	2.99	3.72	4.71	5.07	2.45
France	5.60	5.90	6.40	5.40	5.10	4.40	4.25	3.50	3.90	4.60	5.20	4.60
Germany	5.29	6.40	6.44	5.87	5.52	5.14	4.63	4.19	4.64	5.03	4.83	4.29
Greece	11.91	10.24	6.77	4.76	4.42	4.31	4.21	3.86	4.36	4.76	4.92	3.08
Hungary	25.01	22.00	17.70	15.62	14.05	12.27	11.83	8.97	9.80	9.91	11.20	10.70
Ireland	6.00	4.38	6.17	4.72	4.69	3.50	3.47	3.68	4.57	5.07	4.33	2.61
Italy	5.45	6.10	6.50	5.30	5.03	4.75	4.50	4.10	4.56	5.20	6.29	1.72
Latvia	n/a	14.20	11.40	11.10	8.60	8.30	5.73	4.55	5.55	6.45	6.77	4.52
Lithuania	n/a	10.07	9.93	8.77	6.05	4.97	4.52	3.30	4.03	5.30	5.45	4.01
Luxembourg	5.00	5.00	5.98	4.76	4.40	3.41	3.38	3.62	4.51	4.83	4.22	2.03
Malta	n/a	n/a	n/a	n/a	n/a	4.50	4.34	4.52	4.95	5.39	3.30	3.52
Netherlands	5.56	5.14	5.88	5.88	5.33	4.92	4.80	4.11	4.44	4.91	5.27	5.37
Poland	n/a	n/a	n/a	n/a	9.60	7.60	8.10	6.00	5.70	6.20	8.70	7.10
Portugal	5.70	5.00	6.80	5.00	5.10	4.30	4.10	4.10	5.00	5.70	5.92	2.25
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.50	7.03	5.06
Slovakia	n/a	n/a	9.98	9.10	8.62	7.21	6.87	4.65	6.30	6.23	6.20	5.50
Slovenia	16.20	12.40	15.40	14.80	13.50	10.16	7.58	6.13	5.64	6.27	6.89	3.36
Spain	4.90	4.40	5.90	4.50	3.80	3.31	3.22	3.20	4.49	5.37	5.89	2.52
Sweden	4.60	4.40	4.90	4.70	4.90	3.70	3.00	2.36	3.63	4.75	3.60	1.43
UK	6.12	5.98	5.19	5.48	4.58	4.18	5.04	5.23	5.11	5.75	5.85	4.34
Iceland	n/a	n/a	n/a	n/a	n/a	5.10	4.15	4.70	4.95	5.75	5.40	5.05
Norway	9.82	7.19	8.64	8.15	8.38	3.80	3.53	3.94	5.08	7.21	5.74	3.82
Russia	n/a	n/a	24.40	17.90	15.70	13.00	11.40	10.70	10.40	10.00	12.20	15.30
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.75	1.24	1.59	1.26
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	20.00	16.00	17.75	14.80	22.80	26.00
USA	6.94	7.43	8.06	6.97	6.54	5.82	5.84	5.86	6.41	6.34	6.04	5.04

Source: European Mortgage Federation, National Central Banks, Federal Reserve

Notes:

- *n/a: figures not available*
- *USA: Representative interest rate on 30-year new mortgage loans (conventional 30-year)*

For more information on the national definitions of representative interest rates on mortgage loans, see the annexed Explanatory Note on data

21. Total Covered Bonds Outstanding (backed by mortgages), EUR million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	n/a	n/a	4,000	4,000	4,000	3,880	4,125	4,973	5,317
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	1,638	1,956	4,452	5,543	8,245	8,098	8,186
Denmark	n/a	155,003	155,426	161,312	212,794	204,695	216,133	246,411	260,367	244,696	255,140	319,434
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	250	1,500	3,000	4,500	5,750	7,625
France	n/a	n/a	n/a	n/a	n/a	38,344	47,491	57,153	73,977	103,604	159,407	176,043
Germany	n/a	n/a	247,484	255,873	261,165	256,027	246,636	237,547	223,306	206,489	217,367	225,100
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5,000	6,500
Hungary	n/a	n/a	n/a	n/a	n/a	3,568	4,962	5,072	5,924	5,987	7,105	7,116
Ireland	n/a	n/a	n/a	n/a	n/a	n/a	2,000	4,140	11,900	13,575	23,075	29,725
Italy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,500	14,000
Latvia	n/a	n/a	n/a	n/a	n/a	35	54	60	63	90	90	85
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	150	150	150	0
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,000	7,500	15,727	20,977	28,367
Poland	n/a	n/a	n/a	n/a	n/a	160	220	558	453	676	561	578
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,000	7,850	15,270	20,270
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	510	1,052	1,583	2,214	2,738	3,576	3,608
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	1,184	5,313	7,334	15,177	33,100	62,811	100,657	165,903	214,768	264,894	307,464	334,670
Sweden	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	55,267	92,254	117,628	133,903
UK	n/a	n/a	n/a	n/a	n/a	5,000	14,959	26,778	50,548	81,964	204,278	201,096
EU27	1,184	160,316	410,244	432,362	504,059	571,087	634,421	741,466	920,859	1,059,630	1,370,001	1,523,703
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	467	794	300	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,371	21,924	51,340
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	11	4
USA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,000	12,859	12,937	12,896

Source: European Covered Bond Council

Notes:

- *n/a: figures not available*
- *Please note that covered bonds include only bonds secured on property by mortgage lending institutions*
- *Austrian and Icelandic figures for 2009 are estimates*

22. Total Covered Bonds Issuance (backed by mortgages), EUR million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	n/a	n/a	1,029	n/a	214	2,176	1,959	1,321	1,442
Belgium	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	666	744	2,558	956	3,514	939	738
Denmark	n/a	53,217	36,067	61,262	66,352	99,727	95,009	149,708	114,014	70,955	103,230	125,484
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	n/a	n/a	n/a	n/a	n/a	n/a	250	1,250	1,500	1,500	1,250	2,125
France	n/a	n/a	n/a	n/a	n/a	10,981	11,312	12,972	21,269	33,511	64,009	37,285
Germany	n/a	n/a	49,553	44,013	51,784	57,621	40,773	33,722	35,336	26,834	57,345	56,852
Greece	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5,000	1,500
Hungary	n/a	n/a	n/a	n/a	n/a	2,961	2,381	808	1,418	331	3,331	3,209
Ireland	n/a	n/a	n/a	n/a	n/a	0	2,000	2,000	7,753	1,675	9,506	14,801
Italy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,500	7,500
Latvia	n/a	n/a	n/a	n/a	n/a	11	22	4	20	19	25	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	150	0	0	0
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,000	5,500	8,227	5,608	7,725
Poland	n/a	n/a	n/a	n/a	n/a	123	63	224	52	206	197	88
Portugal	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,000	5,850	7,420	6,000
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	355	549	584	676	803	1,414	707
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	n/a	4,583	2,293	8,138	15,120	27,050	39,235	55,880	67,115	56,126	48,010	51,187
Sweden	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17,569	36,638	43,488	53,106
UK	n/a	n/a	n/a	n/a	n/a	5,000	9,959	11,819	23,770	31,874	121,030	30,431
EU27	n/a	57,800	87,913	113,413	133,256	205,948	200,898	275,430	301,872	273,737	484,478	391,132
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	467	321	n/a	n/a
Norway	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6,458	15,660	28,916
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7	n/a
USA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,000	8,859	n/a	n/a

Source: European Covered Bond Council

Notes:

- *n/a: figures not available*

23. Total Residential Mortgage-Backed Securities (RMBS) Issues, EUR million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Belgium	n/a	n/a	39	60	n/a	2,270	1,050	n/a	n/a	n/a	n/a	19,154
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Czech Republic	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Denmark	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100	n/a	n/a	n/a	n/a
Estonia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Finland	177	n/a	n/a	n/a	n/a	n/a	500	n/a	n/a	n/a	n/a	n/a
France	n/a	n/a	n/a	n/a	4,590	6,080	4,690	4,000	300	n/a	6,900	n/a
Germany	n/a	n/a	n/a	n/a	3,030	2,860	1,130	1,100	6,200	n/a	n/a	1,125
Greece	n/a	n/a	n/a	n/a	n/a	250	741	1,500	3,600	2,805	n/a	1,410
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	n/a	n/a	n/a	n/a	n/a	1,820	2,000	2,000	7,900	1,675	9,500	13,757
Italy	n/a	275	1,510	8,085	6,578	8,871	7,417	9,850	16,946	22,267	75,735	53,166
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	51	n/a	n/a	n/a	n/a	n/a
Lithuania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Luxembourg	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	924	3,843	7,430	9,171	17,611	17,900	16,060	25,000	26,500	35,300	49,400	40,894
Poland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Portugal	n/a	n/a	n/a	1,000	1,900	8,000	4,920	7,000	4,400	n/a	n/a	8,697
Romania	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovakia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Slovenia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Spain	3,542	6,261	3,124	6,858	7,915	15,867	19,584	32,403	39,254	55,413	72,413	26,621
Sweden	n/a	n/a	n/a	280	1,470	1,000	1,513	n/a	n/a	n/a	n/a	n/a
UK	n/a	n/a	22,650	25,470	35,270	55,460	79,773	103,311	202,823	n/a	n/a	70,534
Iceland	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Norway	8,121	11,787	8,179	5,772	16,810	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100	n/a	n/a	727
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USA	1,238,279	1,553,638	1,859,270	2,218,432	2,272,266	2,213,156	2,467,868	3,538,308	3,814,282	3,893,255	4,127,276	3,731,529

Source: European Securitisation Forum/Association for Financial Markets in Europe, Federal Reserve

Notes:

- *n/a: figures not available*

24. GDP at Current Market Prices, EUR million

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	189,553	197,979	207,529	212,499	218,848	223,302	232,782	243,585	256,162	270,782	281,868	276,892
Belgium	228,102	238,569	252,216	259,433	268,256	275,716	290,825	302,845	318,193	334,948	344,676	337,758
Bulgaria	11,386	12,164	13,704	15,250	16,623	17,767	19,875	21,882	25,238	28,899	34,118	33,877
Cyprus	8,532	9,163	10,079	10,801	11,170	11,785	12,728	13,659	14,673	15,951	17,248	16,947
Czech Republic	55,383	56,415	61,495	69,045	80,004	80,924	88,262	100,190	113,696	127,331	147,879	134,531
Denmark	155,163	163,200	173,598	179,226	184,744	188,500	197,070	207,367	218,747	227,025	233,027	222,893
Estonia	5,000	5,359	6,160	6,971	7,776	8,719	9,685	11,182	13,229	15,627	16,073	13,730
Finland	115,832	122,222	132,110	139,198	143,541	145,416	152,148	157,307	165,643	179,536	184,179	170,971
France	1,315,262	1,367,965	1,441,373	1,497,187	1,548,559	1,594,814	1,660,189	1,726,068	1,806,429	1,894,646	1,950,085	1,943,436
Germany	1,952,107	2,012,000	2,062,500	2,113,160	2,143,180	2,163,800	2,210,900	2,242,200	2,325,100	2,428,200	2,495,800	2,407,200
Greece	121,985	131,936	137,930	146,428	156,615	172,431	185,813	195,366	210,459	226,437	239,141	237,494
Hungary	43,443	46,092	51,320	59,584	70,874	74,186	82,666	88,646	89,894	101,087	105,536	93,086
Ireland	78,667	90,378	104,830	116,931	130,258	139,763	149,098	162,091	176,759	189,751	181,815	163,543
Italy	1,087,221	1,127,091	1,191,057	1,248,648	1,295,226	1,335,354	1,391,530	1,429,479	1,485,377	1,546,177	1,567,851	1,520,870
Latvia	6,015	6,818	8,496	9,320	9,911	9,978	11,176	13,012	16,047	21,111	23,160	18,768
Lithuania	10,039	10,292	12,377	13,577	15,052	16,497	18,158	20,870	23,979	28,577	32,203	26,747
Luxembourg	17,294	19,887	22,001	22,572	23,992	25,834	27,456	30,282	34,150	37,466	39,348	37,755
Malta	3,402	3,661	4,221	4,301	4,489	4,421	4,509	4,778	5,111	5,459	5,697	5,712
Netherlands	359,859	386,193	417,960	447,731	465,214	476,945	491,184	513,407	540,216	568,664	595,883	570,208
Poland	153,429	157,470	185,714	212,294	209,617	191,644	204,237	244,420	272,089	311,002	362,415	310,075
Portugal	105,857	114,193	122,270	129,308	135,434	138,582	144,128	149,123	155,447	163,052	166,462	163,891
Romania	37,436	33,766	40,651	45,357	48,615	52,577	61,064	79,802	97,751	124,729	139,753	115,869
Slovakia	19,927	19,177	22,029	23,555	25,953	29,468	33,970	38,462	44,537	54,898	64,778	63,332
Slovenia	19,292	20,710	21,435	22,707	24,527	25,736	27,136	28,758	31,056	34,568	37,135	34,894
Spain	536,917	579,942	630,263	680,678	729,206	782,929	841,042	908,792	984,284	1,052,730	1,088,502	1,051,151
Sweden	225,674	241,155	266,422	251,340	264,244	275,657	287,689	294,674	313,450	331,147	328,088	287,883
UK	1,299,613	1,409,858	1,602,240	1,643,154	1,710,421	1,647,056	1,772,546	1,833,954	1,944,751	2,044,133	1,818,948	1,566,741
EU15	7,789,106	8,202,567	8,764,298	9,087,493	9,417,737	9,586,100	10,034,400	10,396,541	10,935,168	11,494,695	11,515,672	10,935,310
EU27	8,162,389	8,583,654	9,201,979	9,580,252	9,942,347	10,109,801	10,607,866	11,062,203	11,682,468	12,363,930	12,501,668	11,805,662
Iceland	7,383	8,194	9,421	8,830	9,474	9,709	10,660	13,124	13,316	14,932	10,274	8,688
Norway	134,701	149,262	182,579	190,956	204,074	199,146	208,256	242,935	268,363	283,366	309,251	275,937
Russia	241,998	181,879	280,788	341,998	364,629	381,980	475,949	614,560	788,688	945,303	1,132,762	883,965
Turkey	167,799	239,001	233,871	289,933	217,905	243,440	268,331	314,584	386,937	419,232	471,972	498,602
Ukraine	44,776	37,404	29,782	33,980	42,707	45,099	44,365	52,325	69,086	85,871	104,184	123,231
USA	7,347,545	7,843,694	8,776,037	10,774,686	11,485,261	11,254,547	9,849,806	9,540,799	10,158,669	10,671,313	10,271,872	9,818,738

Source: Eurostat, International Monetary Fund, Bureau of Economic Analysis

Notes:

- *n/a: figures not available*

25. GDP per capita at Purchasing Parity Standards (PPS), UE27=100

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	132	131	131	125	126	127	127	124	125	123	124	122
Belgium	123	123	126	124	125	123	121	120	118	115	115	116
Bulgaria	27	27	28	29	31	32	34	34	36	38	41	n/a
Cyprus	87	87	89	91	89	89	90	91	91	93	96	98
Czech Republic	70	69	68	70	70	73	75	76	77	80	80	81
Denmark	132	131	132	128	128	124	126	124	124	121	120	117
Estonia	42	42	45	46	50	55	57	62	65	69	67	62
Finland	114	115	117	115	115	113	116	114	114	118	117	111
France	115	115	115	116	116	112	110	111	109	108	108	107
Germany	122	122	118	117	115	116	116	117	116	116	115	116
Greece	83	83	84	87	90	93	94	92	93	93	94	95
Hungary	55	55	55	59	62	63	63	63	63	62	64	63
Ireland	121	126	131	132	138	141	142	144	145	147	135	131
Italy	120	117	117	118	112	111	107	105	104	103	102	102
Latvia	36	36	37	39	41	43	46	49	52	56	57	49
Lithuania	40	39	39	41	44	49	50	53	55	59	62	53
Luxembourg	217	237	244	234	240	248	253	254	272	275	276	267
Malta	80	81	84	78	79	78	77	78	77	77	76	78
Netherlands	129	131	134	134	133	129	129	131	131	133	134	130
Poland	48	49	48	48	48	49	51	51	52	54	56	61
Portugal	79	81	81	80	80	79	77	79	79	78	79	78
Romania	n/a	26	26	28	29	31	34	35	38	42	n/a	n/a
Slovakia	52	50	50	52	54	55	57	60	63	67	72	72
Slovenia	79	81	80	80	82	83	86	88	88	88	91	87
Spain	95	96	97	98	100	101	101	102	105	105	103	104
Sweden	123	126	128	123	122	124	126	122	123	125	122	120
UK	118	118	119	120	121	122	124	122	120	117	116	116
EU15	115	115	115	115	114	114	113	113	112	112	111	111
EU27	100	100	100	100	100	100	100	100	100	100	100	100
Iceland	140	139	132	132	130	125	131	130	123	122	121	120
Norway	138	145	165	161	155	156	164	176	184	179	189	176
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ukraine	161	163	161	156	154	156	157	159	154	151	147	146
USA	140	139	132	132	130	125	131	130	123	122	121	120

Source: Eurostat

Notes:

- *n/a: figures not available*

26. Real GDP growth rate, %

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	3.6	3.3	3.7	0.5	1.6	0.8	2.5	2.5	3.5	3.5	2.0	-3.6
Belgium	1.7	3.4	3.7	0.8	1.5	1.0	3.0	1.8	2.8	2.9	1.0	-3.1
Bulgaria	4.0	2.3	5.4	4.1	4.5	5.0	6.6	6.2	6.3	6.2	6.0	-5.0
Cyprus	5.0	4.8	5.0	4.0	2.1	1.9	4.2	3.9	4.1	5.1	3.6	-1.7
Czech Republic	n/a	1.3	3.6	2.5	1.9	3.6	4.6	6.3	6.8	6.1	2.5	-4.8
Denmark	2.2	2.6	3.5	0.7	0.5	0.4	2.3	2.4	3.4	1.7	-0.9	-4.9
Estonia	0.0	-0.1	9.6	7.7	7.8	7.1	7.5	9.4	10.0	7.2	-3.6	-14.1
Finland	5.2	3.9	5.1	2.7	1.6	1.8	3.7	2.9	4.4	4.9	1.2	-7.8
France	3.5	3.3	3.9	1.9	1.0	1.1	2.5	1.9	2.2	2.3	0.4	-2.2
Germany	2.0	2.0	3.2	1.2	0.0	-0.2	1.1	0.8	3.2	2.5	1.3	-4.9
Greece	3.4	3.4	4.5	4.2	3.4	5.6	4.9	2.2	4.5	4.5	2.0	-2.0
Hungary	4.9	4.2	5.2	4.1	4.4	4.3	4.7	3.5	4.0	1.0	0.6	-6.3
Ireland	8.5	10.7	9.2	5.8	6.4	4.5	4.7	6.2	5.4	6.0	-3.0	-7.5
Italy	1.4	1.5	3.6	1.8	0.5	0.0	1.5	0.7	2.0	1.5	-1.3	-5.0
Latvia	4.7	3.3	6.9	8.0	6.5	7.2	8.7	10.6	12.2	10.0	-4.6	-18.0
Lithuania	7.5	-1.5	4.1	6.6	6.9	10.3	7.3	7.8	7.8	9.8	2.8	-15.0
Luxembourg	6.5	8.4	8.4	2.5	4.1	1.5	4.5	5.4	5.6	6.5	0.0	-3.4
Malta	3.4	4.1	6.4	-1.6	2.6	-0.3	1.2	3.9	3.6	3.8	2.1	-1.9
Netherlands	3.9	4.7	3.9	1.9	0.1	0.3	2.2	2.0	3.4	3.5	2.0	-4.0
Poland	5.0	4.5	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.8	5.0	1.7
Portugal	4.8	3.8	3.9	2.0	0.8	-0.8	1.5	0.9	1.4	1.9	0.0	-2.7
Romania	-4.8	-1.2	2.1	5.7	5.1	5.2	8.5	4.2	7.9	6.3	7.3	-7.1
Slovakia	3.7	0.0	1.4	3.4	4.8	4.7	5.2	6.7	8.5	10.6	6.2	-4.7
Slovenia	3.9	5.4	4.4	2.8	4.0	2.8	4.3	4.5	5.8	6.8	3.5	-7.8
Spain	4.5	4.7	5.0	3.6	2.7	3.1	3.3	3.6	4.0	3.6	0.9	-3.6
Sweden	3.7	4.6	4.4	1.1	2.4	1.9	4.1	3.3	4.2	2.5	-0.4	-5,1
UK	3.4	3.5	3.9	2.5	2.1	2.8	2.8	2.2	2.9	2.6	0.5	-4.9
EU15	2.9	3.0	3.9	1.9	1.1	1.2	2.3	1.8	3.0	2.6	0.5	-4.1
EU27	3.0	3.0	3.9	2.0	1.2	1.3	2.5	2.0	3.2	2.9	0.7	-4.2
Iceland	6.3	4.1	4.3	3.9	0.1	2.4	7.7	7.5	4.6	6.0	1.0	-6.5
Norway	2.7	2.0	3.3	2.0	1.5	1.0	3.9	2.7	2.3	2.7	1.8	-1.5
Russia	-5.3	6.4	10.0	5.1	4.7	7.3	7.2	6.4	7.4	8.1	5.6	-7.9
Turkey	3.1	-3.4	6.8	-5.7	6.2	5.3	9.4	8.4	6.9	4.7	0.9	-4.7
Ukraine	-1.9	-0.2	5.9	9.2	5.2	9.6	12.1	2.7	7.3	7.9	2.1	-15.1
USA	4.4	4.8	4.1	1.1	1.8	2.5	3.6	3.1	2.7	2.1	0.4	-2.4

Source: Eurostat, International Monetary Fund, OECD, Bureau of Economic Analysis

Notes:

- *n/a: figures not available*

27. Real Gross Fixed Investment in Housing, annual change, %

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	-2.5	-2.8	-4.5	-6.8	-4.8	-4.1	0.8	1.4	7.2	5.3	1.1	-10.5
Belgium	-4.4	3.1	-1.1	-2.7	-5.5	3.4	8.1	10.9	3.4	-0.8	-1.6	-3.0
Bulgaria	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cyprus	-8.1	1.7	0.5	-0.3	8.0	16.7	17.4	9.6	6.2	7.5	-2.7	-6.4
Czech Republic	4.8	-3.7	2.7	-4.5	1.7	0.2	9.2	-2.2	5.6	35.6	-7.2	n/a
Denmark	1.9	4.3	10.3	-9.3	0.8	11.8	11.9	17.3	9.6	3.4	-14.2	-16.8
Estonia	-7.0	-5.2	9.3	8.3	29.4	32.5	26.2	38.2	29.4	1.0	-29.9	-28.9
Finland	10.2	8.9	6.0	-9.9	-0.1	11.7	11.5	5.4	4.2	0.0	-9.5	-12.4
France	2.9	6.4	1.5	0.8	0.8	2.7	3.1	5.2	6.3	5.2	-0.9	n/a
Germany	0.3	1.8	-2.5	-6.1	-5.8	-1.0	-2.9	-3.8	5.2	-1.5	0.5	-1.1
Greece	n/a	n/a	n/a	4.3	15.2	12.1	-0.9	-0.7	29.6	-8.6	-29.1	-21.7
Hungary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ireland	5.8	12.1	8.6	5.2	4.2	13.5	11.0	16.9	3.2	-12.6	-31.6	n/a
Italy	-1.0	1.4	4.7	1.7	2.5	3.3	2.8	4.9	4.0	0.8	-3.0	-9.3
Latvia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lithuania	-6.4	5.8	9.3	-3.6	-10.3	14.4	66.6	0.0	21.2	14.9	24.3	-9.6
Luxembourg	6.9	-3.3	-1.4	14.6	-14.1	18.3	-1.7	-2.5	-0.8	0.1	-0.3	28.6
Malta	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Netherlands	3.0	2.8	1.6	3.2	-6.5	-3.7	4.1	5.0	5.8	4.2	0.9	-13.8
Poland	11.5	11.6	10.3	-6.9	7.2	-3.1	4.9	8.8	9.4	12.0	9.9	n/a
Portugal	n/a	n/a	n/a	-2.1	-5.6	-18.2	-2.1	-1.8	-8.0	n/a	n/a	n/a
Romania	n/a	n/a	67.6	62.4	68.9	20.4	-2.2	35.7	-6.3	50.6	n/a	n/a
Slovakia	72.5	31.5	18.9	-21.0	-1.5	-3.7	-2.8	8.6	-13.7	9.3	0.8	-6.6
Slovenia	3.9	3.6	-7.0	-5.8	0.2	-5.6	10.7	18.9	7.4	14.7	11.1	-17.9
Spain	10.9	11.4	10.3	7.5	7.0	9.3	5.9	6.1	6.2	3.0	-10.3	-24.5
Sweden	5.4	13.3	14.8	7.4	11.3	4.3	12.4	11.9	15.5	8.0	-9.5	-24.3
UK	0.8	-3.9	0.1	3.9	7.8	4.4	7.8	1.1	8.4	2.4	-10.8	-17.7
EU15	2.1	3.1	1.4	-0.6	0.1	2.8	3.1	3.3	6.3	1.5	-5.4	-10.6
EU27	2.3	3.2	1.5	-0.7	0.3	2.7	3.3	3.5	6.3	2.2	-4.9	-10.8
Iceland	1.0	0.6	12.8	12.3	12.4	3.7	14.2	11.9	16.5	13.2	-21.9	n/a
Norway	13.6	-6.9	-6.3	-0.6	0.1	1.0	8.9	10.6	8.0	12.0	1.1	-7.0
Russia	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Turkey	67.9	-3.8	6.9	-16.9	12.1	5.9	11.0	12.3	17.8	6.0	n/a	n/a
Ukraine	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
USA	7.7	6.3	1.0	0.6	5.2	8.2	9.8	6.2	-7.3	-18.5	-22.9	-20.5

Source: Eurostat, OECD, Bureau of Economic Analysis

Notes:

- *n/a: figures not available*

28. Harmonised Index of Consumer Prices (HICP), annual change, %

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	0.8	0.5	2.0	2.3	1.7	1.3	2.0	2.1	1.7	2.2	3.2	0.4
Belgium	0.9	1.1	2.7	2.4	1.6	1.5	1.9	2.5	2.3	1.8	4.5	0.0
Bulgaria	18.7	2.6	10.3	7.4	5.8	2.3	6.1	6.0	7.4	7.6	12.0	2.5
Cyprus	2.3	1.1	4.9	2.0	2.8	4.0	1.9	2.0	2.3	2.2	4.4	0.2
Czech Republic	9.7	1.8	3.9	4.5	1.4	-0.1	2.6	1.6	2.1	3.0	6.3	0.6
Denmark	1.3	2.1	2.7	2.3	2.4	2.0	9.0	1.7	1.9	1.7	3.6	1.1
Estonia	8.8	3.1	3.9	5.6	3.6	1.4	3.0	4.1	4.5	6.7	10.6	0.2
Finland	1.3	2.9	2.7	2.0	1.3	0.1	0.8	0.8	1.3	1.6	3.9	1.6
France	0.7	0.6	1.8	1.8	1.9	2.2	2.3	1.9	1.9	1.6	3.2	0.1
Germany	0.6	0.7	1.4	1.8	1.4	1.0	1.8	1.9	1.8	2.3	2.8	0.2
Greece	4.5	2.1	2.9	3.7	3.9	3.4	3.0	3.5	3.3	3.0	4.2	1.3
Hungary	14.2	10.0	10.0	9.1	5.2	4.7	6.8	3.5	4.0	7.9	6.0	4.0
Ireland	2.1	2.5	5.3	4.0	4.7	4.0	2.3	2.2	2.7	2.9	3.1	-1.7
Italy	2.0	1.7	2.6	2.3	2.6	2.8	2.3	2.2	2.2	2.0	3.5	0.8
Latvia	4.3	2.1	2.6	2.5	2.0	2.9	6.2	6.9	6.6	10.1	15.3	3.3
Lithuania	5.4	1.5	1.1	1.6	0.3	-1.1	1.2	2.7	3.8	5.8	11.1	4.2
Luxembourg	1.0	1.0	3.8	2.4	2.1	2.5	3.2	3.8	3.0	2.7	4.1	0.0
Malta	3.7	2.3	3.0	2.5	2.6	1.9	2.7	2.5	2.6	0.7	4.7	1.8
Netherlands	1.8	2.0	2.3	5.1	3.9	2.2	1.4	1.5	1.7	1.6	2.2	1.0
Poland	11.8	7.2	10.1	5.3	1.9	0.7	3.6	2.2	1.3	2.6	4.2	4.0
Portugal	2.2	2.2	2.8	4.4	3.7	3.3	2.5	2.1	3.0	2.4	2.7	-0.9
Romania	59.1	45.8	45.7	34.5	22.5	15.3	11.9	9.1	6.6	4.9	7.9	5.6
Slovakia	6.7	10.4	12.2	7.2	3.5	8.4	7.5	2.8	4.3	1.9	3.9	0.9
Slovenia	7.9	6.1	8.9	8.6	7.5	5.7	3.7	2.5	2.5	3.8	5.5	0.9
Spain	1.8	2.2	3.5	2.8	3.6	3.1	3.1	3.4	3.6	2.8	4.1	-0.2
Sweden	1.0	0.6	1.3	2.7	2.0	2.3	1.0	0.8	1.5	1.7	3.3	1.9
UK	1.6	1.4	0.8	1.2	1.3	1.4	1.3	2.1	2.3	2.3	3.6	2.2
euro area	1.2	1.2	2.2	2.4	2.3	2.1	2.2	2.2	2.2	2.1	3.3	0.3
EU27	4.6	3.0	3.5	3.2	2.5	2.1	2.3	2.3	2.3	2.4	3.7	1.0
Iceland	1.3	2.1	4.4	6.6	5.3	1.4	2.3	1.4	4.6	3.6	12.8	16.3
Norway	2.0	2.1	3.0	2.7	0.8	2.0	0.6	1.5	2.3	0.7	3.4	2.3
Russia	27.7	85.7	20.8	21.5	15.8	13.7	10.9	12.7	9.7	9.0	14.1	11.7
Turkey	82.1	61.4	53.2	56.8	47.0	25.3	10.1	8.1	9.3	8.8	10.4	6.3
Ukraine	10.5	22.7	28.2	11.9	0.7	5.2	9.0	13.5	9.1	12.8	25.2	15.9
USA	1.6	2.0	3.4	2.4	0.9	2.3	2.7	3.7	3.2	2.6	4.4	-0.8

Source: Eurostat, IMF

Notes:

- *n/a: figures not available*
- *Please note that for non-EU countries the national Consumer Price Indices are given, which are not strictly comparable with the HICPs.*

29. Population, thousand inhabitants

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Austria	7,971	7,982	8,002	8,021	8,065	8,102	8,140	8,207	8,266	8,316	8,332	8,355
Belgium	10,192	10,214	10,239	10,263	10,310	10,356	10,396	10,446	10,511	10,584	10,667	10,790
Bulgaria	8,283	8,230	8,191	7,929	7,892	7,846	7,801	7,761	7,719	7,699	7,640	7,607
Cyprus	675	683	690	698	706	715	730	749	766	788	789	797
Czech Republic	10,299	10,290	10,278	10,267	10,206	10,203	10,211	10,221	10,251	10,323	10,381	10,468
Denmark	5,295	5,314	5,330	5,349	5,368	5,384	5,398	5,411	5,427	5,460	5,475	5,511
Estonia	1,393	1,379	1,372	1,367	1,361	1,356	1,351	1,348	1,345	1,343	1,340	1,340
Finland	5,147	5,160	5,171	5,181	5,195	5,206	5,220	5,237	5,256	5,288	5,300	5,326
France	59,935	60,159	60,513	60,915	61,326	61,735	62,130	62,519	62,999	63,575	63,753	64,351
Germany	82,057	82,037	82,163	82,260	82,440	82,537	82,532	82,501	82,438	82,262	82,217	82,002
Greece	10,808	10,861	10,904	10,931	10,969	11,006	11,041	11,083	11,125	11,172	11,213	11,260
Hungary	10,280	10,253	10,222	10,200	10,175	10,142	10,117	10,098	10,077	10,056	10,045	10,031
Ireland	3,694	3,732	3,778	3,833	3,900	3,964	4,028	4,109	4,209	4,343	4,401	4,450
Italy	56,904	56,909	56,924	56,961	56,994	57,321	57,888	58,462	58,752	59,319	59,619	60,045
Latvia	2,421	2,399	2,382	2,364	2,346	2,331	2,319	2,306	2,295	2,275	2,271	2,261
Lithuania	3,562	3,536	3,512	3,487	3,476	3,463	3,446	3,425	3,403	3,376	3,367	3,350
Luxembourg	422	427	434	439	444	448	452	455	460	477	484	494
Malta	377	379	380	391	395	397	400	403	404	409	410	414
Netherlands	15,654	15,760	15,864	15,987	16,105	16,193	16,258	16,306	16,334	16,374	16,405	16,486
Poland	38,660	38,667	38,654	38,254	38,242	38,219	38,191	38,174	38,157	38,111	38,115	38,136
Portugal	10,110	10,149	10,195	10,257	10,329	10,407	10,475	10,529	10,570	10,619	10,618	10,627
Romania	21,989	21,946	21,908	21,876	21,833	21,773	21,711	21,659	21,610	21,523	21,529	21,499
Slovakia	5,388	5,393	5,399	5,379	5,379	5,379	5,380	5,385	5,389	5,397	5,401	5,412
Slovenia	1,985	1,978	1,988	1,990	1,994	1,995	1,996	1,998	2,003	2,019	2,026	2,032
Spain	39,639	39,803	40,050	40,477	40,964	41,664	42,345	43,038	43,758	44,874	45,283	45,828
Sweden	8,848	8,854	8,861	8,883	8,909	8,941	8,976	9,011	9,048	9,148	9,183	9,256
UK	58,395	58,580	58,785	59,000	59,218	59,438	59,700	60,060	60,426	60,781	61,179	61,806
EU15	313,729	314,474	315,612	316,997	318,534	320,232	321,828	323,516	325,280	328,648	329,770	330,578
EU27	480,383	481,076	482,188	482,958	484,541	486,520	488,632	490,898	492,998	495,911	497,443	499,935
Iceland	272	276	279	283	287	288	291	294	300	308	315	319
Norway	4,418	4,445	4,478	4,503	4,524	4,552	4,577	4,606	4,640	4,681	4,737	4,799
Russia	146,300	145,600	144,800	146,300	145,200	145,000	144,200	143,500	142,800	142,200	142,000	141,391
Turkey	64,642	65,787	66,889	67,896	68,838	69,770	70,692	71,610	72,520	69,689	70,586	71,517
Ukraine	49,545	49,115	48,664	48,241	47,823	47,442	47,101	46,749	46,466	46,192	45,936	45,706
USA	275,854	279,040	282,172	285,082	287,804	290,326	293,046	295,753	298,593	301,580	304,375	307,006

Source: Eurostat, IMF, US Bureau of Census

Notes:

- *n/a: figures not available*

Annex: Explanatory Note on data

Macroeconomic data

Macroeconomic data on GDP, inflation, unemployment and population are mainly from Eurostat. They are from the International Monetary Fund, OECD and from the Bureau of Economic Analysis (for the USA) when not provided by Eurostat.

Mortgage Markets data

Residential mortgage lending outstanding: total residential loans on lenders' books at the end of the period. Residential loans are loans for the purchase of a private property which can be secured or not secured on the residential property. For instance, not all countries secure residential loans on the property. For example, in Belgium and France loans for house purchase are guaranteed with personal sureties. This definition is, however, still not complete. Second mortgages or other transactions to increase mortgage debt for consumption or improvement of a residential property may be for some countries also included in the definition.

Gross residential lending: total amount of residential loans advanced during the period.

Net residential lending: it refers to the new residential loans advanced during the period minus repayments. It also corresponds to the change in outstanding mortgage loans at the end of the period.

Representative Interest Rates

Euro area "typical mortgage rate": please note that this mortgage interest rate which is reported in each of the country report tables is the year-end variable mortgage rate which is applied in the euro area (Source: ECB). This is used as a proxy for a European average mortgage rate, which would be misleading when using a simple average of national typical mortgage rates.

AT: APRC on new loans for house purchase to households;

BE: Long term initial fixed period interest rate, 10 years or more maturity;

BG: Interest rate year-end on long-term loans to households for house purchase;

CY: Interest rate on housing loans secured by assignment of life policy;

DK: Adjustable mortgage interest rate (Mortgage rate referenced to 6 months CIBOR);

EE: Weighted average of the annual interest rate on housing loans granted to households for new EUR denominated loans;

FR: Fixed average rate of secured loans "PAS" with a maturity of 12 and 15 years;

DE: Loans with an initial fixed period interest rate (5 to 10 years);

GR: Reviewable interest rate after a fixed term of 1 year;

IE: Variable interest rate (where the fixed-rate term is ≤1);

IT: Variable interest rate on a loan of EUR 100,000 with a maturity of 20 years;

LV: Variable interest rate on new EUR denominated loans to households (≤1);

LT: Variable interest rate on new EUR denominated loans to households (≤1);

LU: Variable interest rate (≤1);

MT: Interest rate on loans for house purchase to households and individuals;

NL: Interest rate on total new lending for house purchase;

PL: Variable interest rate (≤1);

PT: The variable interest rate indexed to Euribor (≤1);

SI: APRC on new loans for house purchase to households in domestic currency;

ES: Effective average interest rate not including costs during the first period of the loan. The interest rate usually floats every 6 or 12 months, according to an official reference rate for mortgages secured on residential property;

SE: Variable interest rate (≤1);

UK: The average mortgage rate charged on all regulated mortgage contracts except lifetime mortgages newly advanced in the period. This interest rate is an average rate for fixed and variable rate products.

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EUROPEAN MORTGAGE FEDERATION