



ECRI Task Force

Towards a balanced contribution of household credit to the economy

Returning to the agenda for growth in 2014-19

CEPS

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- **Sustainable recovery will also depend on the quality of the funding of household consumption and investment.**
- **In order to avoid past mistakes, regulators should continue to develop a framework where household loans can contribute to the economy in a balanced way.**

Objective 1:

Greater harmonisation in statistical methodologies

(1) Harmonisation is necessary for all policy initiatives:

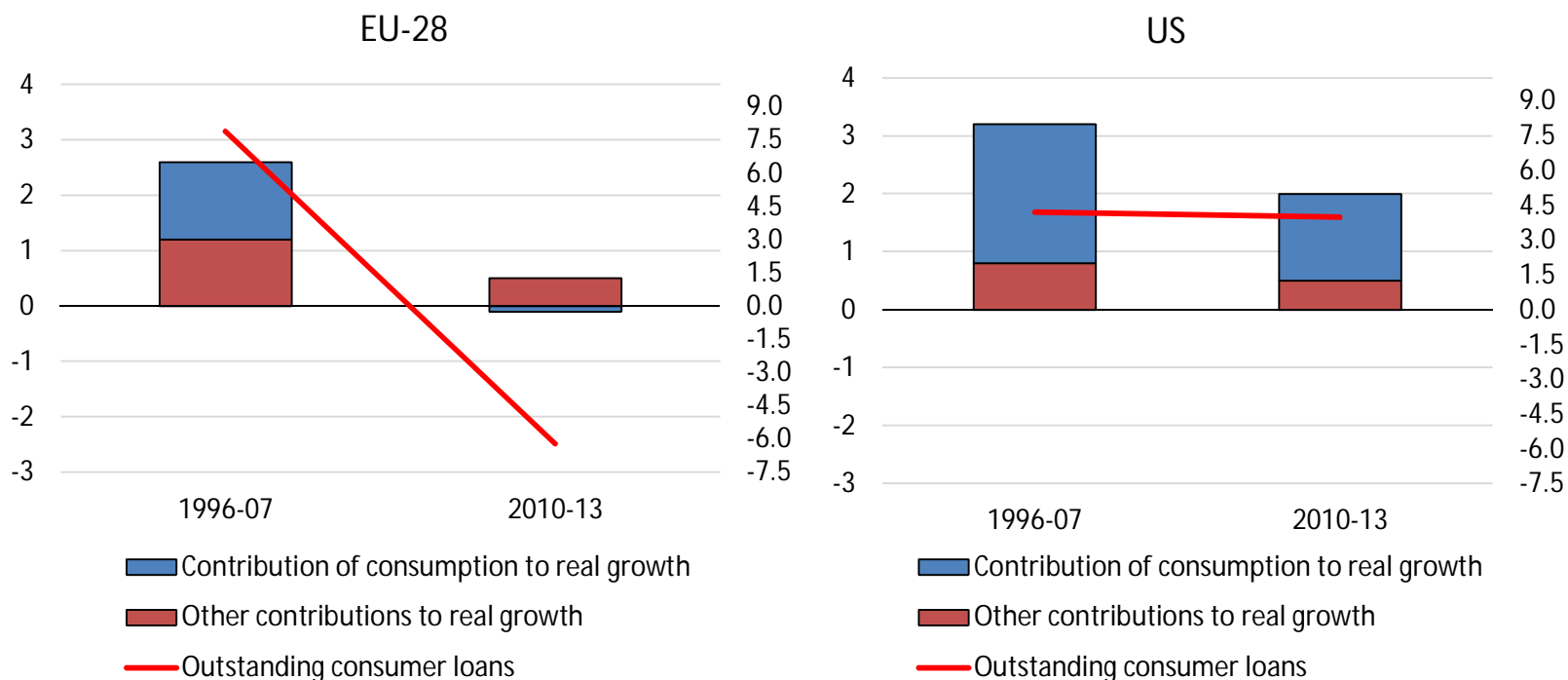
(1.1) Definition of a scope for the rules

(1.2) Conduct of impact assessment

Objective 2:

A balanced contribution to the economic growth

Private consumption, consumer loans and real growth (yearly average, variations in percentage points)



Note: - Left hand-scale: contributions to real growth
 - Right hand-scale: outstanding consumer loans

Source: ECRI Statistical Package, Eurostat

(1) Better knowledge is required on the drivers behind:

- (1.1) Lending standards (balance sheet constraints, costs of funds, risk perception of banks)
- (1.2) The demand for household loans (consumer confidence levels, household preference for saving)

(2) Suggestion to refine the macroeconomic models for the conduct of monetary policy:

- (2.1) Further emphasis on the possible harmful effects of abundant liquidity on long-term financial stability

(3) Better knowledge is required on the contribution of household loans to the qualitative dimension of growth:

- (3.1) Especially the role in the energy transition process

Objective 3:

A reinforced policy framework for information disclosure requirements

(1) Better enforcement of existing European rules

(2) For future policies:

(2.1) Further research on the optimal amount of information

(2.2) Study of other types of information than APR

(2.3) Use of the latest findings in behavioural economics (most relevant behavioural biases for policy design)

Objective 4:

Some reflections on the promotion of responsible lending practices

(1) Possibility to encourage the set-up of early-stage detection of potential financial difficulties of borrowers (via regulatory incentives)

(2) Research on the feasibility of the set-up of external assessments performed by independent bodies

Objective 5:

Further research on integration processes of retail financial markets

(1) Better knowledge is necessary on:

- (1.1) The impact of rising financial integration on consumer protection and credit/economic growth
- (1.2) The determination of an optimal level of integration
- (1.3) The different channels for integration and the two main types behind them (macroeconomic developments and domestic rules)

(2) Specific methodologies should be developed to:

- (2.1) Compare, following a new regulation, the level of integration between « before domestic implementation and « after domestic implementation »

Objective 6:

Accompanying the financial sector throughout its digital transition process

(1) Digital processing should be used as a channel for reinforcing European integration of retail finance:

(1.1) In particular, adequate enforcement of the Electronic Identification and trust Services (eIDAS)

(1.2) Appropriate interoperability of such rules across the different organisations, financial institution and public authorities, both within and between European Member States

(2) Production of consistent data on the activities of new entrants

(2.1) Consistent data is essential if EU regulators decide to design regulations tailored to these new business models