

# Regional Dimension: Life *inside* the euro area



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Deputy Governor

## Potential implications of ultra low interest rates:

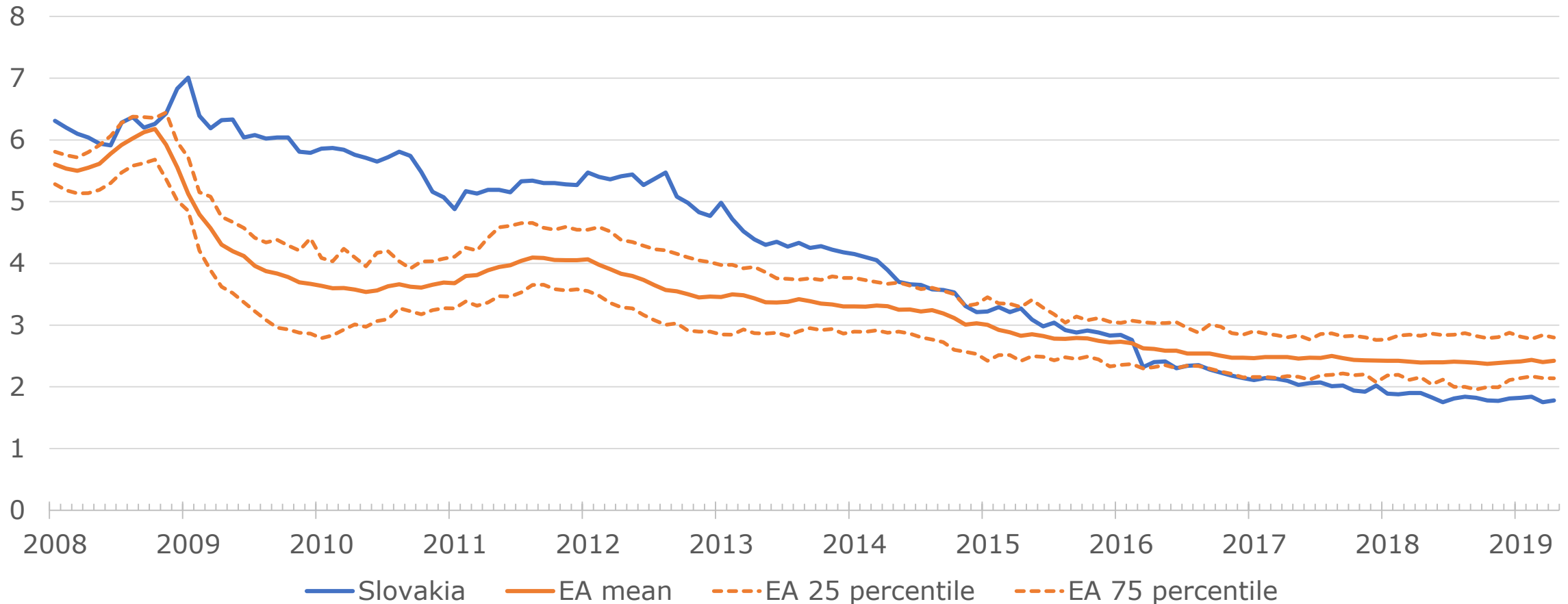
- Credit booms/asset price bubbles
- Inflation and competitiveness

## Policy options:

- Macroprudential measures
- Fiscal policy
- Structural policies

# Low lending rates

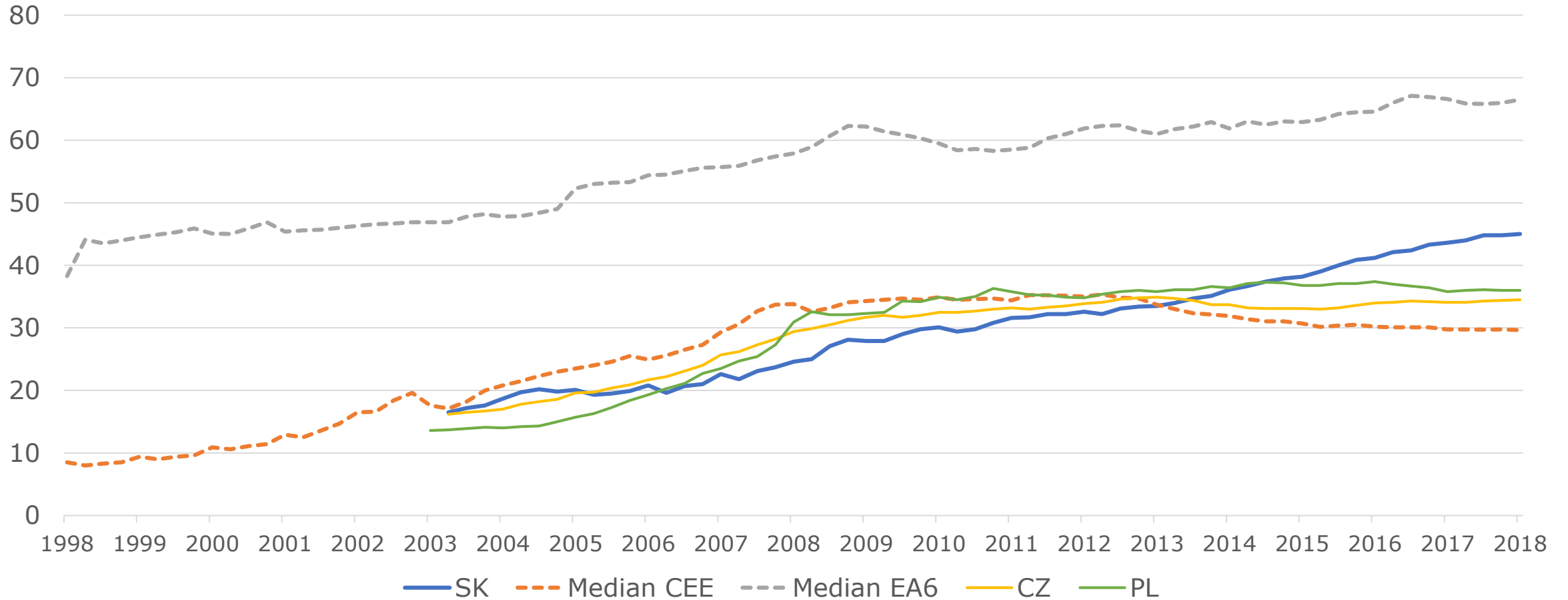
## Lending Rates for House Purchase (%)



Source: Macrobond.

# Growing household debt

## Household Debt-to-GDP (%)

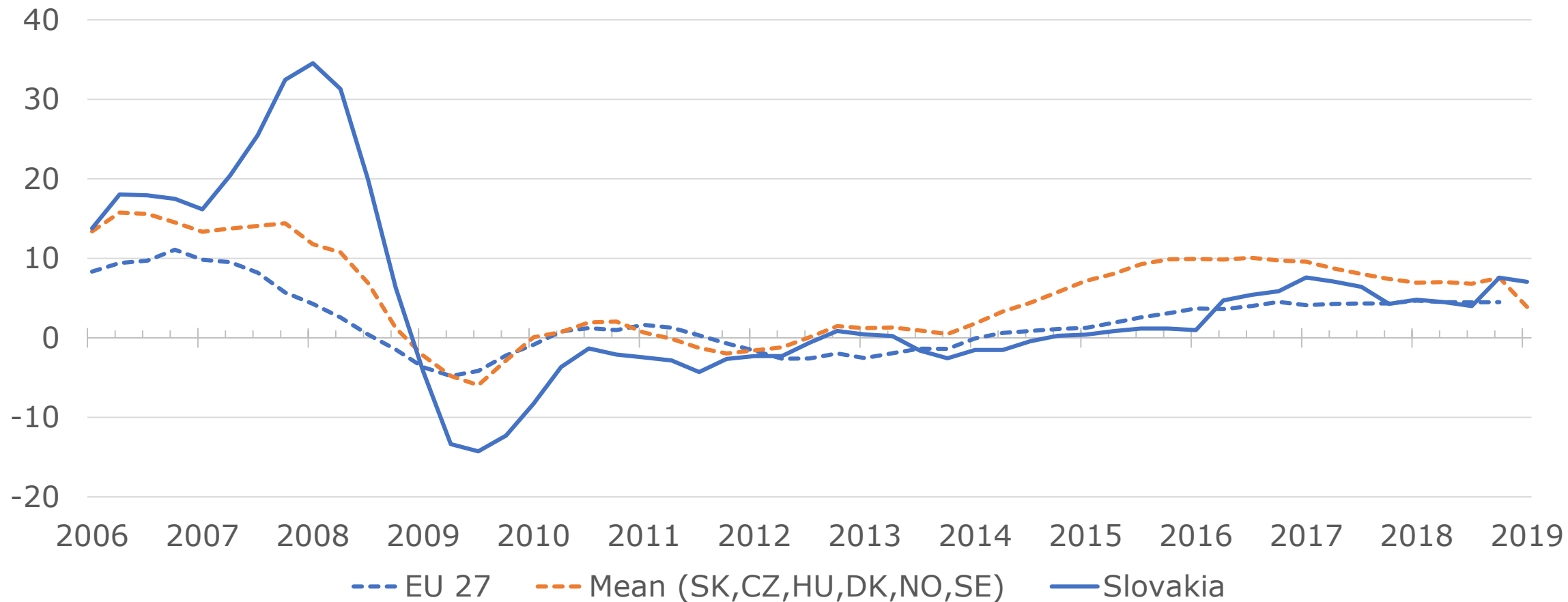


Source: Eurostat, NBS.

Note: EA6 includes BE, DE, FR, LU, AT, FI

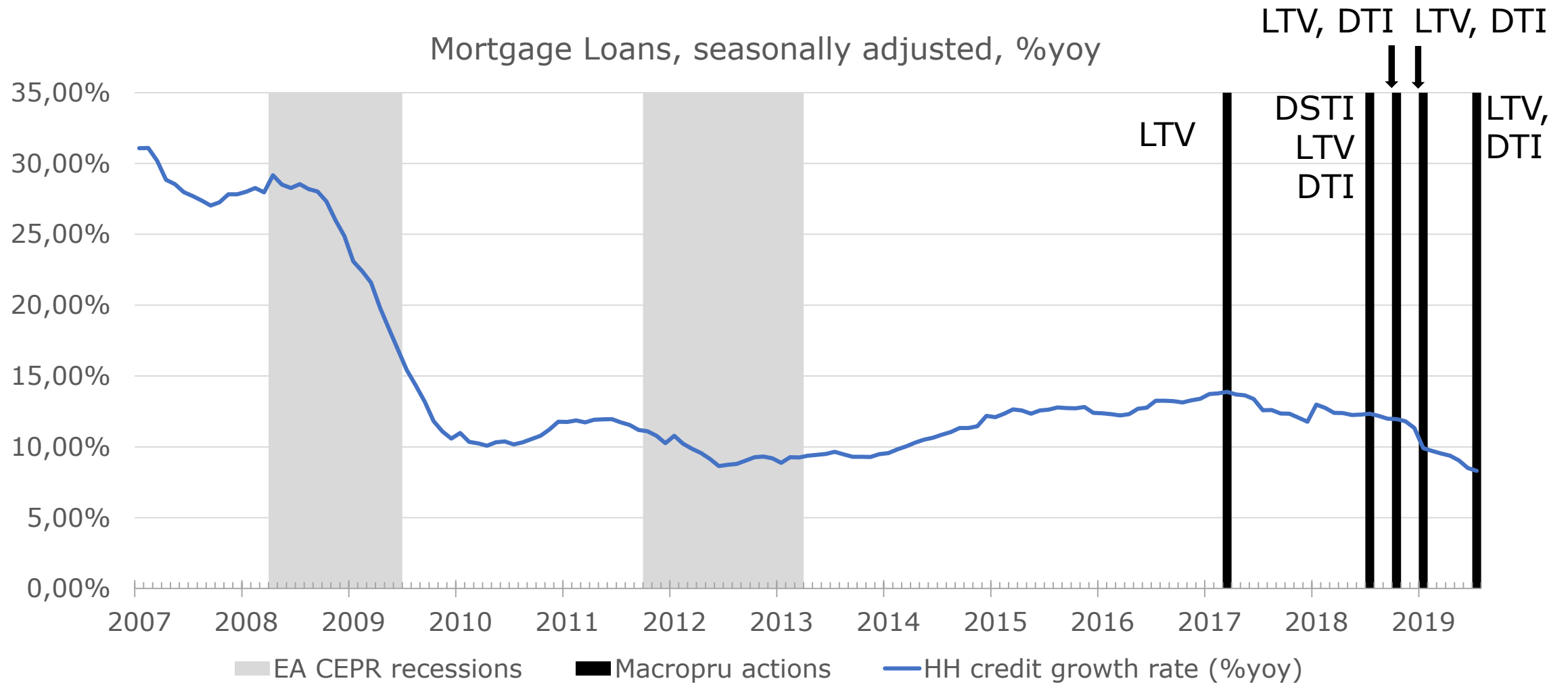
# Modest house price growth

Real Estate Prices, Residential, %yoy



Source: Macrobond.

# Macropru actions



Source: ECB, Macrobond.

# Countercyclical capital buffer (CCyB)

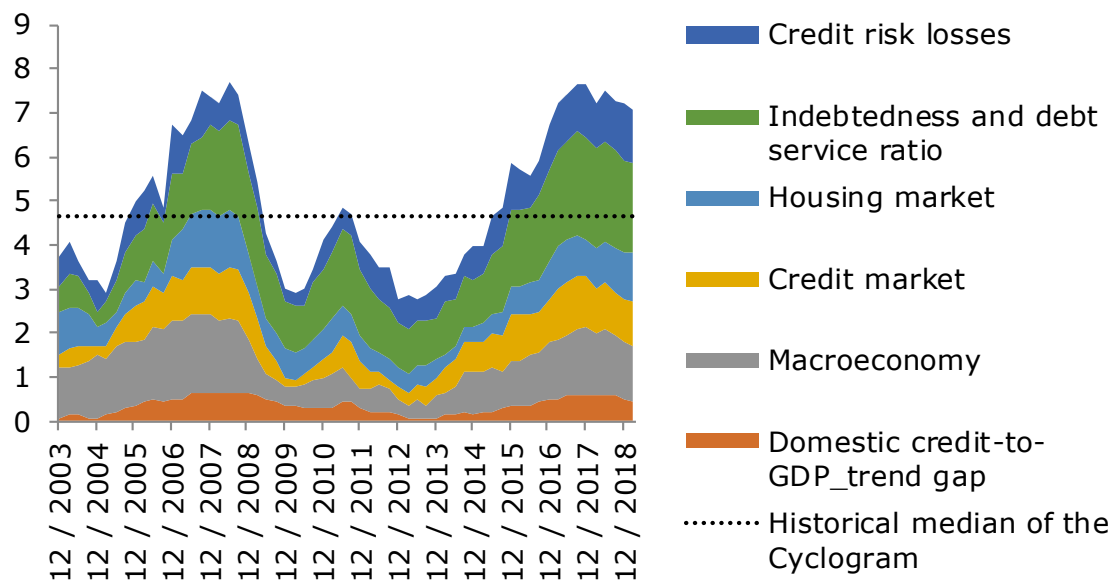
- **Applicable CCyB rates in Slovakia**
  - Current: **1.5 %**
  - Further increase to **2.0 %** from 08/2020
- **Within the region, only SK and CZ have positive CCyB rates**

## Pending CCyB rates in the EU



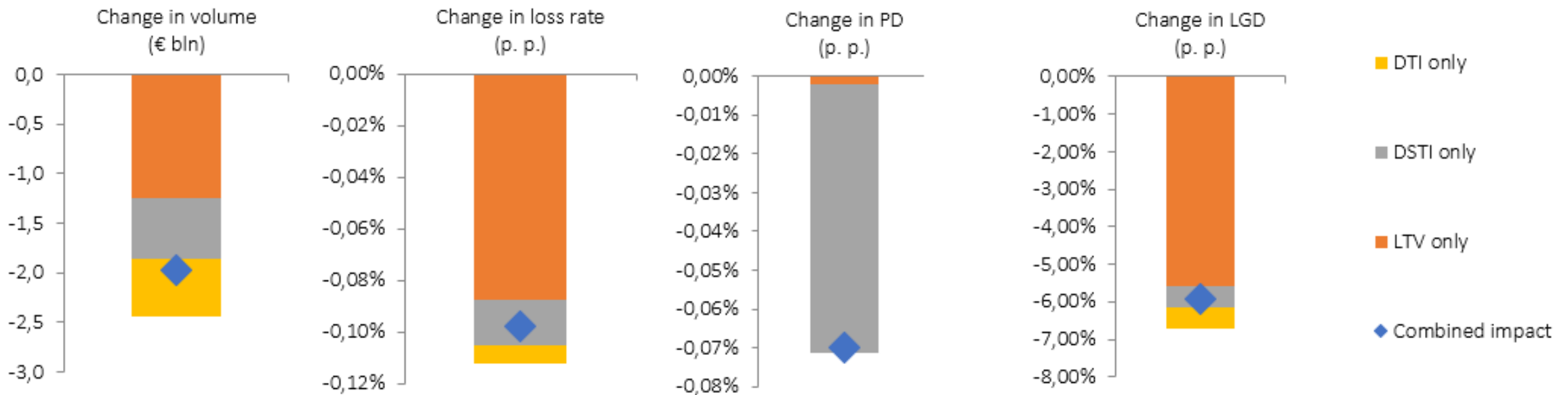
Source: European Systemic Risk Board.

## Financial cycle in SK and its components



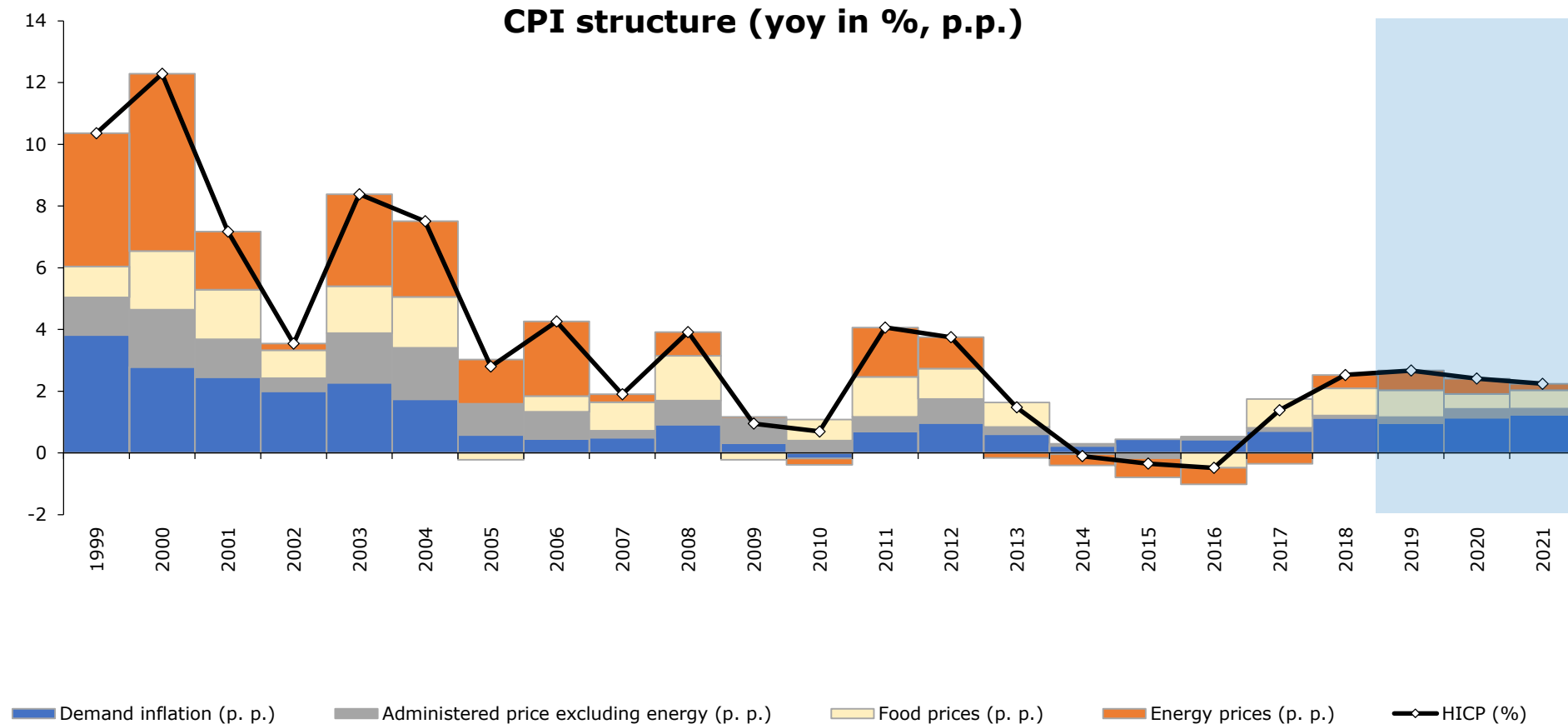
# Effectiveness of measures

- Overall effect: the loss rate on new loans can decrease by as much as 40 % (in an adverse economic scenario)
- Effect of individual measures:
  - LTV limit has the major role in decreasing loss rate, it works mainly through LGD
  - DSTI limit contributes to lower loss rate, mainly through PD
  - DTI limit has smaller impact on the riskiness, but contributes to the reduction of credit growth
- **Combination of measures is crucial to achieve financial stability objectives**
  - Mix of borrower based measures prevents possible leakages
  - Borrower based measures focused on new lending, capital buffers address the risk in existing loans (incl. corporates and SMEs)





# Inflation in Slovakia



Source: National statistical office

# Real effective exchange rate

