

20. Household debt

- In 2011, households remained highly indebted in a large number of OECD countries four years after the start of the global financial crisis, with an OECD average established at 135% of their net disposable income. The ratio was far higher than this average in Denmark (331%), the Netherlands (302%), Ireland (234%), Norway (209%) and Switzerland (201%). In contrast, the Slovak Republic had the lowest debt ratio at 49.4% in 2011.
- The Netherlands and Greece recorded the largest increases over the period 2006-11, with respectively 46 and 39 percentage points. A net fall was observed in the United States (-20 percentage points), the United Kingdom (-16 percentage points) and Germany (-11 percentage points).

The household debt ratio presents the total outstanding debt of households as a percentage of their disposable income. It is the most frequently reported measure on the indebtedness of households and intends to assess debt sustainability of the household sector.

High indebtedness levels generally increase the financing costs of the borrower and deteriorate balance sheet positions. On the other hand however, one should also take into account the availability of assets, e.g. dwellings, for which the borrowing has been made.

A high leverage ratio, as well as a growing debt ratio, is often interpreted as a sign of financial vulnerability. If it is accompanied by a higher-than-expected interest rate growth, a decline in disposable income, unemployment, it could reduce households' ability to repay loans from current disposable income and hence reduce consumption in the period ahead.

Definition

Debt is a commonly used concept, defined as a specific subset of liabilities. All debt instruments are liabilities, but some liabilities such as shares, equity and financial derivatives are not considered as debt. Debt is thus predominantly obtained by adding the following liability categories: currency and deposits, securities other than shares except financial derivatives, loans, insurance technical reserves and other accounts payable. The debt of households mainly consists of home mortgage loans, but also other types of liabilities such as credit lines and credit cards, and other consumer credit (such as automobile loans or student loans).

For a given country, changes in the ratio can be due to changes in outstanding debt and/or changes in disposable income. Thus, a reduction in the debt ratio during the deleveraging phase can be attributed to improvements to income or to a reduction in debt, in particular consumer credit and mortgage loans.

Comparability

International comparability of household debt is generally good. However, debt ratios across countries can be significantly affected by different institutional arrangements, among which tax regulations regarding tax deductibility of interest payments.

Sources

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OECD (2013), *National Accounts of OECD Countries*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/2221433x>.

Online database

OECD (2013), "Financial Balance Sheets", *OECD National Accounts Statistics (database)*, <http://dx.doi.org/10.1787/na-fbs-data-en>.

Further reading

Lequiller, F. and D. Blades (2007), *Understanding National Accounts*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264027657-en>.

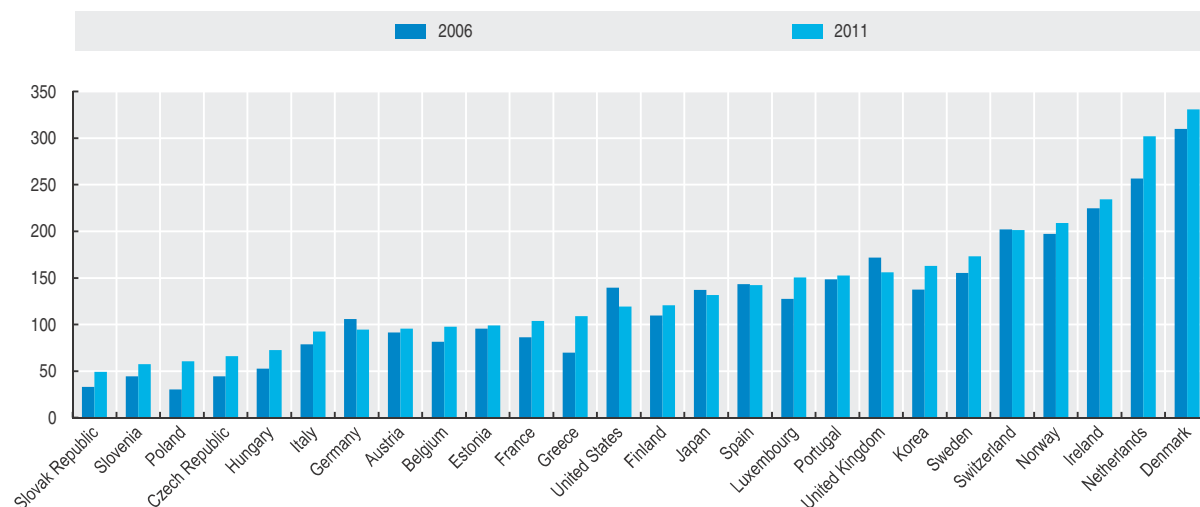
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Table 20.1. **Household debt**
Percentage of net disposable income

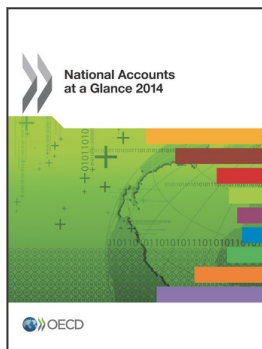
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	114.4	118.5	125.5	140.9	152.8	164.4	172.5	176.2	180.7	176.3	182.8	183.5	..	..
Austria	75.9	77.9	79.9	82.0	81.5	84.9	90.1	91.4	90.9	92.5	92.3	95.7	95.6	92.8
Belgium	70.9	68.6	64.4	66.2	69.4	72.8	78.0	81.4	84.9	87.1	87.8	92.9	97.7	98.2
Canada	110.2	109.4	109.5	113.7	119.0	124.2	132.0	135.5	143.5	148.3	157.7	158.9	..	..
Chile	..	..	..	..	..	..	..	..	..	58.9	57.2	57.5	56.8	..
Czech Republic	20.5	21.1	21.8	27.0	29.0	34.4	39.8	44.3	54.0	59.4	61.3	63.1	66.2	66.7
Denmark	..	..	..	..	260.0	274.3	290.5	310.0	338.0	347.8	355.6	339.2	330.8	..
Estonia	17.5	20.7	24.6	31.6	40.7	55.1	72.0	95.5	105.7	107.8	111.6	107.4	99.1	97.0
Finland	66.8	70.0	70.3	75.4	79.9	88.5	99.5	109.7	114.9	117.5	117.5	118.7	120.6	122.9
France	70.6	68.4	68.5	70.0	73.1	75.4	81.6	86.2	90.3	90.1	97.6	102.9	103.7	104.5
Germany	114.8	116.4	114.0	113.9	112.5	111.0	108.3	105.9	103.0	99.4	99.7	97.1	94.5	93.2
Greece	..	..	..	..	..	..	63.0	70.0	75.3	82.1	84.0	101.1	108.8	109.7
Hungary	13.4	16.1	19.3	25.6	34.9	40.5	46.4	52.8	60.9	74.4	74.9	78.8	72.7	62.6
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	..	127.3	148.6	171.4	200.9	224.7	235.0	230.0	238.3	234.6	234.3	230.4
Israel	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	52.5	56.6	58.4	61.2	64.5	68.5	73.5	78.7	83.2	84.1	89.5	92.6	92.7	94.4
Japan	..	..	140.7	139.5	138.1	137.4	137.9	137.3	133.6	132.2	132.4	131.9	131.5	..
Korea	..	..	..	131.2	126.5	122.0	129.1	137.5	145.7	149.7	154.1	158.0	162.9	163.8
Luxembourg	..	..	..	..	..	..	..	127.5	136.1	135.8	142.9	145.0	150.6	153.4
Mexico	..	..	..	..	7.5	7.6	8.5	10.6	11.6	9.5	9.5	..	..	..
Netherlands	163.2	174.3	176.5	190.0	211.0	223.8	243.1	256.6	260.8	273.3	293.1	299.2	302.1	311.5
New Zealand	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Norway	130.5	135.2	147.1	147.2	150.4	160.7	166.5	197.4	205.1	203.1	200.8	204.6	208.8	213.7
Poland	10.7	11.8	17.6	22.2	19.6	21.1	24.4	30.4	38.5	50.5	52.6	57.1	60.6	58.9
Portugal	105.1	114.6	119.2	121.7	127.9	133.6	139.3	148.4	155.2	153.9	157.9	155.2	152.5	147.6
Slovak Republic	16.9	21.2	22.9	25.7	29.2	27.0	30.5	33.3	39.3	44.0	43.9	45.7	49.4	54.8
Slovenia	..	..	32.8	33.1	35.0	35.6	39.9	44.5	51.9	53.8	56.3	59.1	57.5	57.8
Spain	..	86.1	89.4	96.4	105.1	116.3	129.1	143.4	149.3	144.0	141.2	146.3	142.3	141.1
Sweden	105.0	108.7	119.2	121.6	128.0	137.3	147.5	155.3	159.4	161.0	166.4	174.0	173.2	172.0
Switzerland	184.5	182.8	181.3	189.2	201.1	199.6	204.0	201.9	192.5	190.2	194.5	198.5	201.2	..
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	113.0	115.7	121.6	133.9	145.1	157.4	160.4	171.7	179.8	174.9	167.9	160.1	155.9	151.5
United States	102.2	103.6	107.2	112.5	120.2	126.8	134.6	139.7	142.8	134.8	133.3	127.1	119.2	114.9
Euro area	..	..	..	..	..	..	..	..	..	..	..	..	..	..
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..
China	..	..	..	..	..	..	..	..	..	..	..	..	..	..
India	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Russian Federation	..	..	..	..	..	..	..	..	..	..	..	..	..	..
South Africa	..	..	..	..	..	..	..	..	..	..	..	..	..	..

StatLink  <http://dx.doi.org/10.1787/888933002471>

Figure 20.1. **Household debt**
Percentage of net disposable income, 2006 and 2011



StatLink  <http://dx.doi.org/10.1787/888933001521>



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