



## NATIONAL COMMITTEE FOR MACROPRUDENTIAL OVERSIGHT

### **NCMO Recommendation NoR/7/2017**

#### **onsetting up a working group on household over indebtedness**

Having regard to:

Identifying the increase in household indebtedness as a vulnerability to financial stability,

Whereas:

The rise in household indebtedness may have notable negative effects on both the financial system (the empirical evidence shows that an indebtedness level of over 55 percent is associated with non-performing probabilities of 3 percent over a one-year horizon and of 14 percent over a five-year horizon) and future economic growth, where households that took housing loans face difficulties in paying their monthly loan instalments and decide to lower consumption in order to keep the purchased house. At present, indebtedness rose substantially, with one third of the debtors who took a loan in the past year reporting a level of indebtedness of more than 55 percent.

Pursuant to:

- Art. 1 para. (2), Art. 2 para. (1), and Art. 3 of Law No. 12/2017 on the macroprudential oversight of the national financial system,

Pursuant to:

- Art. 4 para. (1) let. a) and b) of Law No. 12/2017 on the macroprudential oversight of the national financial system,

the National Committee for Macroprudential Oversight has issued this recommendation:

The Government, by the agency of the Ministry of Public Finance (MPF), and the National Bank of Romania (NBR) are recommended to set up a working group that should make in-depth analyses on household indebtedness, using the data to be made available to this working group by the MPF via the National Agency for Fiscal Administration, while complying with the confidentiality rules. The new data to be examined should at least refer to the reports on individuals' monthly wage earnings, their income from other sources than wages (Form 112), and income from the transfer of real estate from the personal patrimony (Form 208).

**MUGUR ISĂRESCU**

Chairman