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MNB Financial Stability Conference

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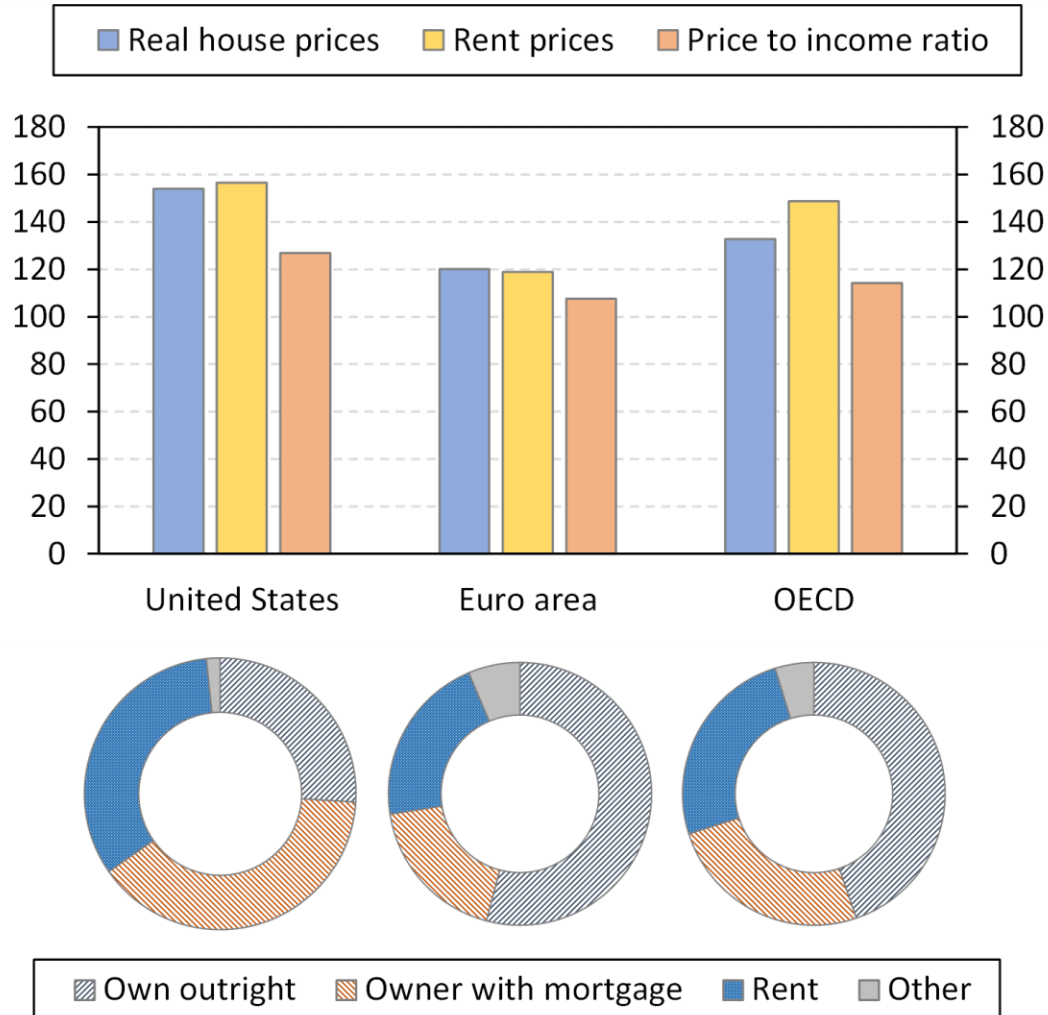
THE TRADE-OFF BETWEEN PRUDENT LENDING AND HOUSING AFFORDABILITY

PANEL DISCUSSION

HOUSING COSTS HAVE RISEN FASTER THAN HOUSEHOLD INCOMES IN MANY COUNTRIES



Changes in house and rent prices in the last 10 years, and housing tenure structure

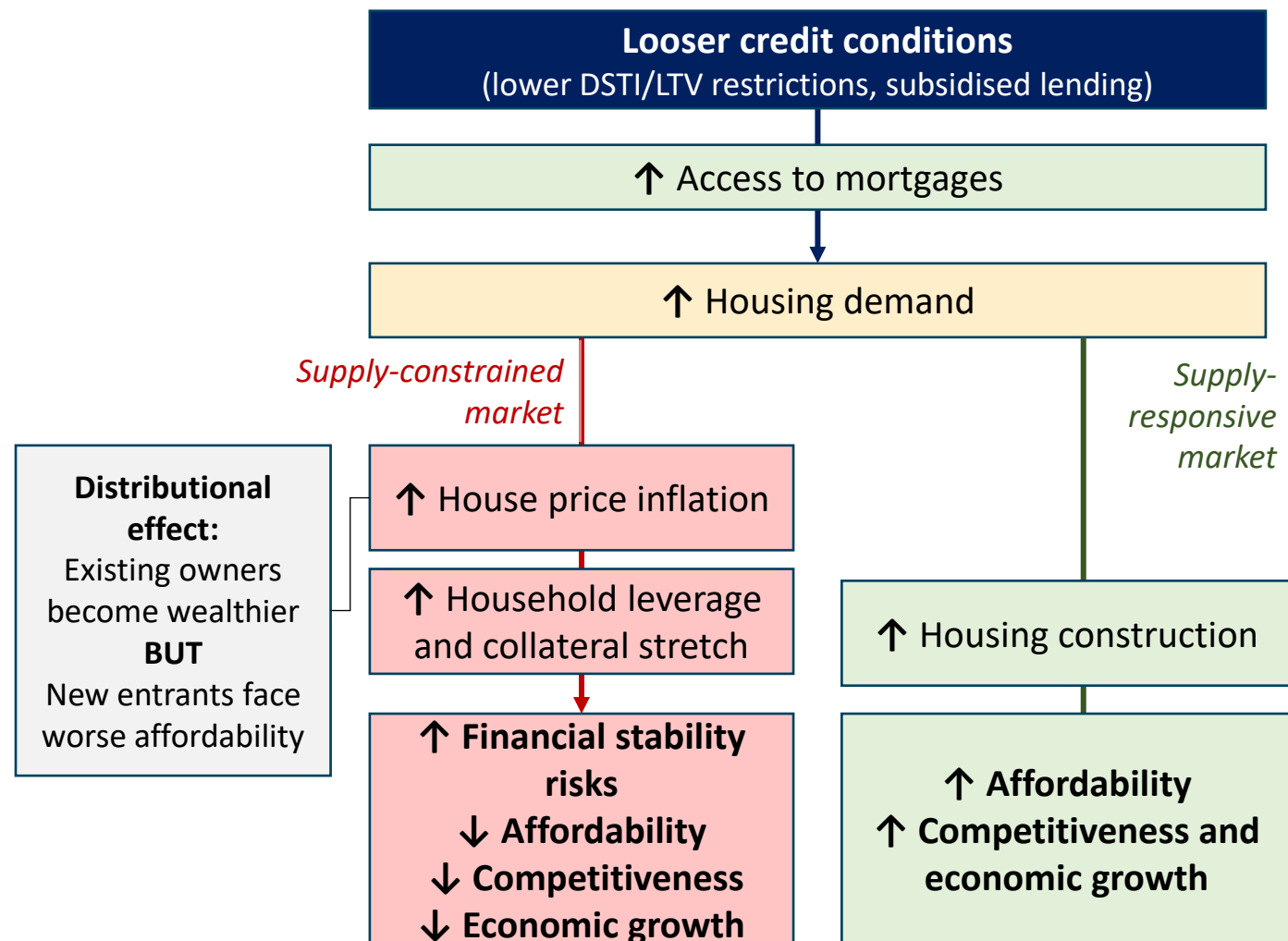


- **House and rent prices have significantly outpaced income growth** in many advanced economies since the mid-2010s.
- **Mortgage rates temporarily declined** during the low-interest-rate era **but have increased sharply since 2022**.
- Young households and **first-time buyers face increasing barriers** to entry.
- **Housing affordability concerns** are present across advanced and emerging economies.
- Main **challenges** are **demographic change, urbanisation, the related lack of construction site and housing supply, climate transition, and financing needs**.

HOUSING AFFORDABILITY AND FINANCIAL STABILITY ARE LINKED THROUGH CREDIT, HOUSE PRICES AND HOUSEHOLD LEVERAGE



Simplified connection of housing affordability and financial stability



- Housing is both a **social necessity** and a **leveraged financial asset**.
- Existing owners may benefit from rising house prices but they raise barriers for new entrants.
- Households often adapt to house price growth by **higher borrowing**.
- **Higher leverage increases vulnerability** to income, interest rate and house-price shocks.
- **Loose credit can improve affordability temporarily but may fuel house-price inflation.**
- **Sustainable affordability requires prudent lending and adequate housing supply.**

HOUSING POLICY INVOLVES BALANCING THREE OBJECTIVES: AFFORDABILITY, FINANCIAL STABILITY AND ECONOMIC COMPETITIVENESS.



Taxonomy of housing policies

	Affordability	Financial stability	Authority
Monetary & macroprudential policy (LTV, DSTI, DTI, capital buffers, interest rates)	☑	✓	CB
Housing supply policies (zoning, permitting, construction support, PPPs)	✓	☑	GOV / munc.
Fiscal & tax measures (subsidies, tax incentives, down-payment support)	✓	☑	
Rental market policies (tenant protection, rental housing support)	✓	☐	
Social & affordable housing programmes	✓	☐	

- Housing affordability cannot be addressed through macroprudential policy alone.
- Central banks support sustainable lending but cannot solve supply shortages.
- Demand-side support without additional supply may worsen affordability over time.
- Effective housing policy requires coordination across multiple policy domains.
- Clear allocation of responsibilities is essential for consistent policy outcomes.
- Sustainable affordability requires prudent lending and adequate housing supply.



Effective housing strategies require coordination between central banks, governments and local authorities.