

Dependent housing financialization in Hungary through the case of household debt

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Thirty years of capitalist transformations in CEE:
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Outline

- I. Household debt and (dependent) financialization
- II. Overindebtedness of households in Hungary
- III. Progressive politics for the future

I. Household debt and financialization

Household loans absorb surplus capital

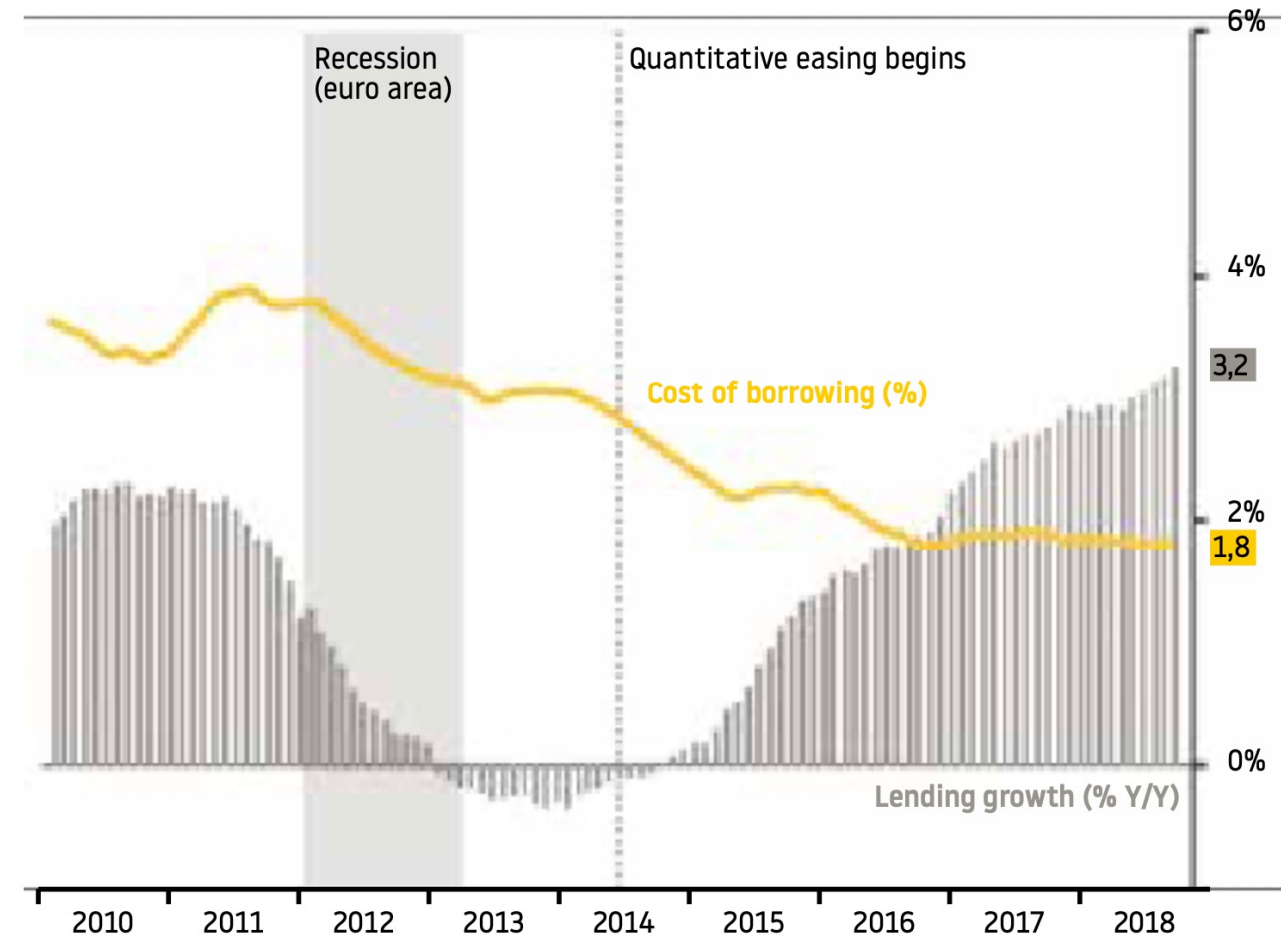
Financialization and housing: often about institutional actors; household lending less often discussed.

Post-2008 crisis situation (from 2015 onwards):
excess liquidity »

**pressure on banks for more lending BUT
smaller pool of households to lend to**
“more water through a narrower channel”

Moving frontline between:

- Market expansion
 - Risk aversion / regulatory frameworks
- » new institutional setups, new forms of lending



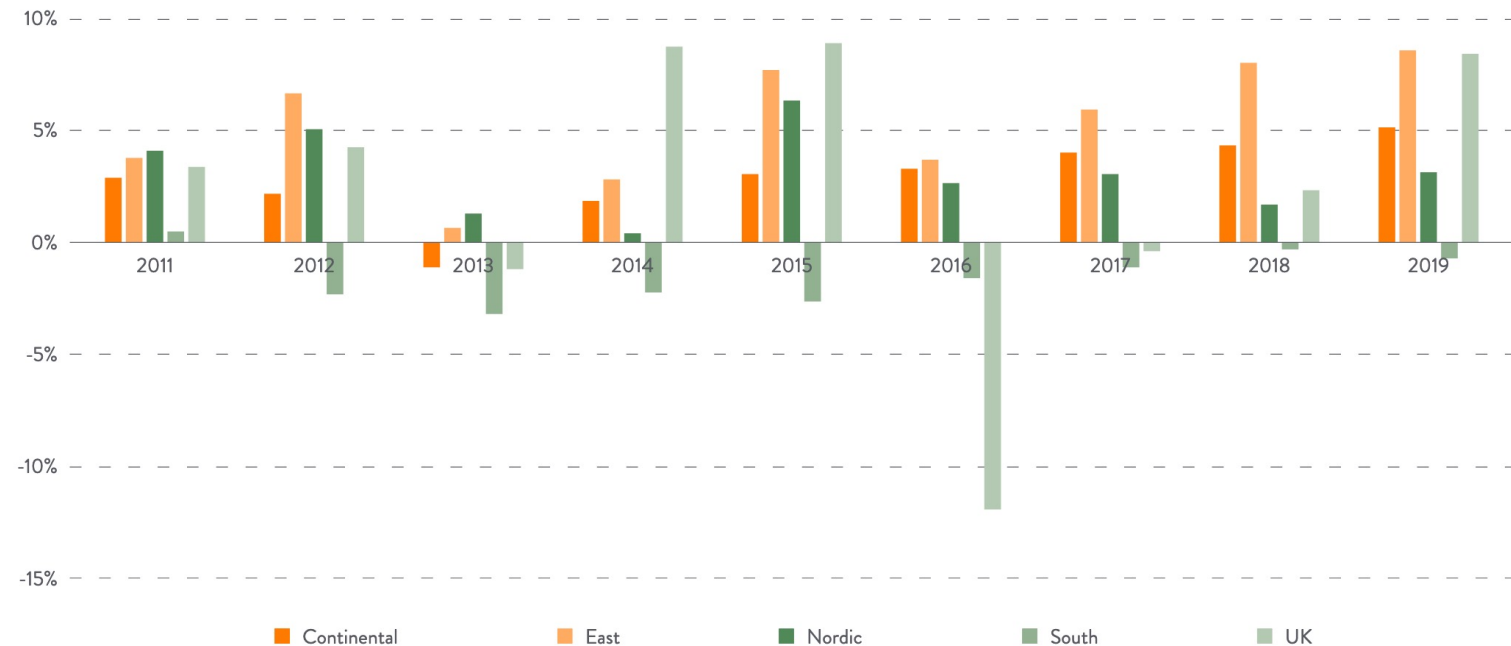
*Quantitative easing pushes a new wave of lending to households.
Source: Reuters Graphics, Thomson Reuters Datastream.
In: Periféria Working Papers nr 3.*

I. Household debt in Eastern Europe

In Eastern Europe: household lending as a major form of housing financialization (also: lack of institutional actors)

- **Early 2000s:** quick growth in household lending, liberalized financial markets
 - direct forms of dependent lending – FX loans
- **Crisis** hit the peripheries of Europe stronger
 - many households defaulting on their loans and an increase in utility arrears
- **Post-crisis:**
 - Geographies of the crisis: debt collector companies' international activity as a strong indicator
 - Growth of consumer loans – blind spot
 - Growth in mortgage lending as well

CHART 20 | OUTSTANDING MORTGAGE MARKET YEAR-ON-YEAR EVOLUTION DIVIDED IN EU REGIONS (CALCULATIONS BASED IN EUR TERMS)



Source: EMF, Hypostat 2020, page 42.

I. National financialization of housing in post-crisis Hungary

Result of the crisis:

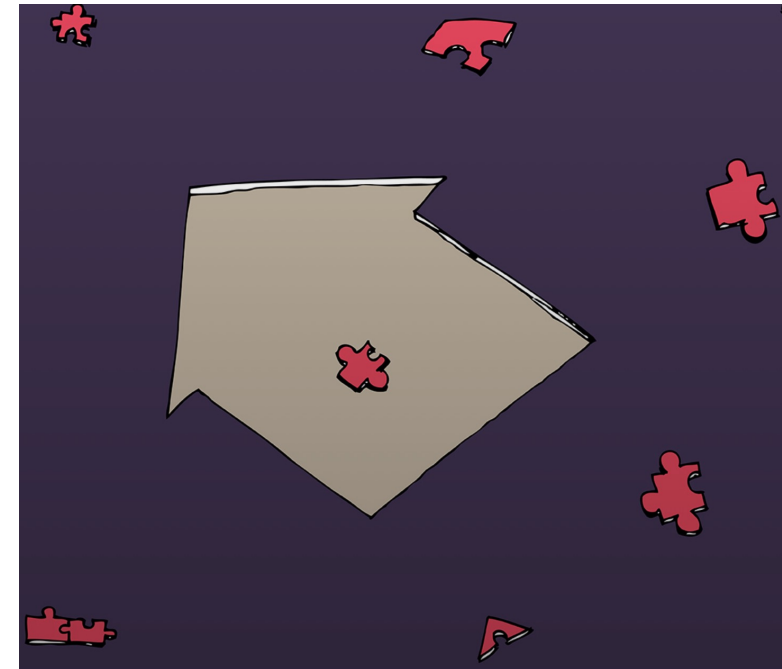
Strong regulatory control, aiming to break external dependency in housing finance
» de-financialization???

Post-2015 „housing market revival”

- Strong state incentives for new housing loans (based on pro-child policies, large subsidies to middle-class families)
- Support to housing market companies in a push for new construction
- Shifting source of capital + beneficiary economic circle,
BUT: financial logic continues to dominate in the sphere of housing
(tightly coupled with a natalist-populist logic)

Polarized / dualist housing finance

- new mortgage loans safe + under good conditions -- accessible to narrower social group » government policies selectively widening this group
- other financial instruments left more unchecked (consumer loans, current account lending, rapid credit providers, etc)



Source: moba.coop



II. Household debt VS over-indebtedness

Household debt \neq over-indebtedness

1. Loans-related overindebtedness

income-substitution; low or precarious income (high share of debt repayment within household income); high monthly payments relative to income

2. Arrears-related overindebtedness

households taking risky / expensive loans (consumer loans, etc) to cover arrears; arrears beyond several months; arrears subject to claims management / foreclosure

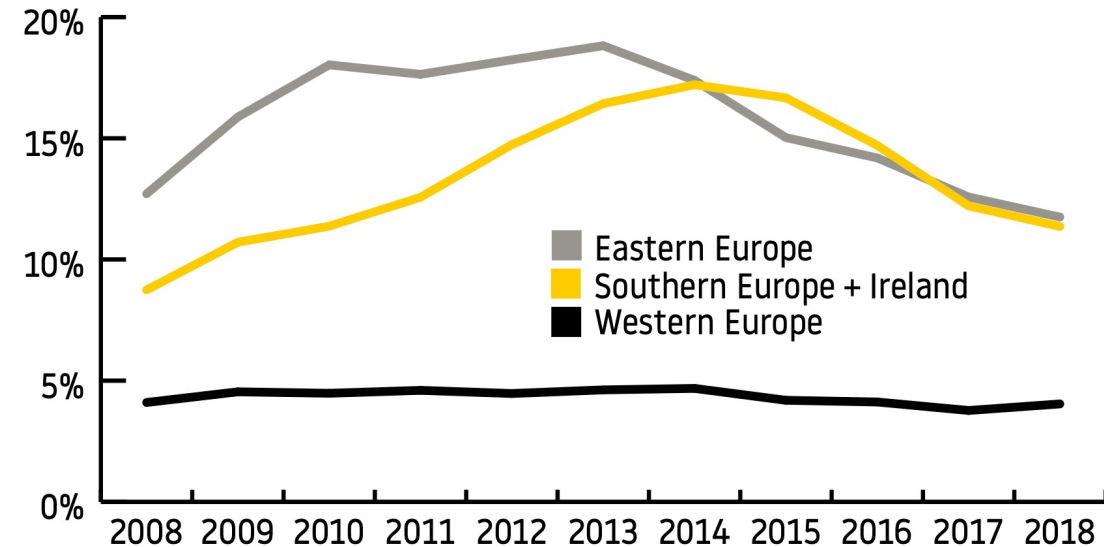
The two kinds of over-indebtedness reinforce each other.

II. Why would peripheral Europe be specific?

Broader dependent economic integration results in more severe over-indebtedness

- terms and conditions of housing finance (duration and interest rates of loans)
- housing accessibility (lack of rental housing)
- worse employment conditions (precarious labor, low wages)
- rapid credit providers and the growth of consumer loans as a response to difficulties of making ends meet
- high arrears in utilities
- vulnerable institutional relations – debt-collector companies entering markets of previous financial overinclusion; debt-advice and debt-management underdeveloped and rolled back by the state

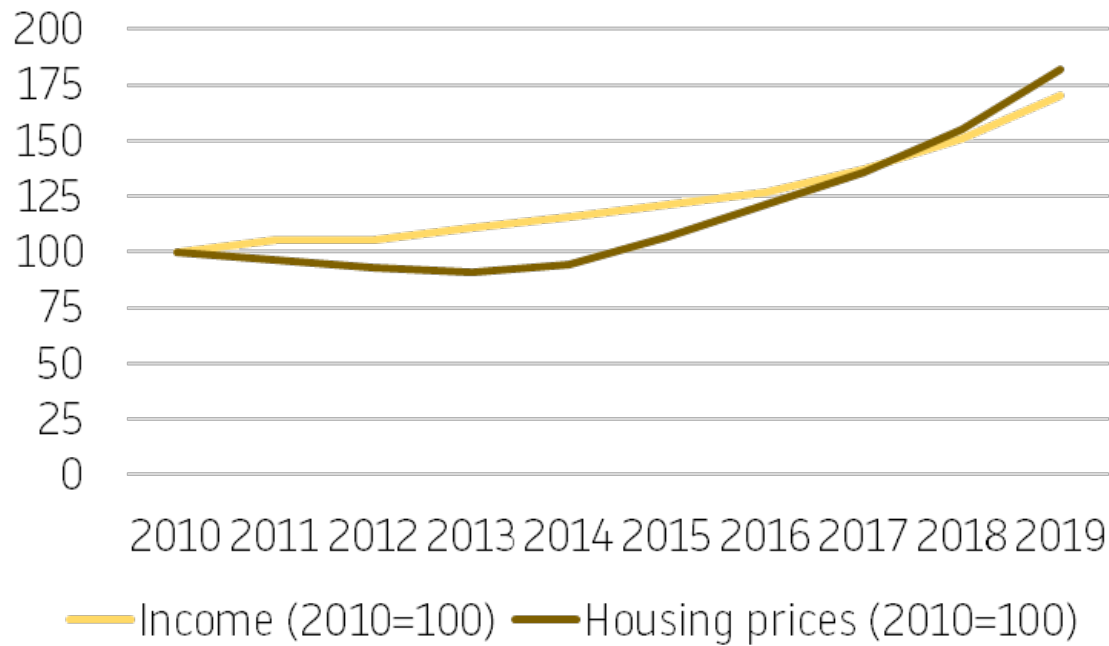
Qualitative recognition that household over-indebtedness is a bigger problem in peripheral Europe » requires further research



Arrears on utility bills

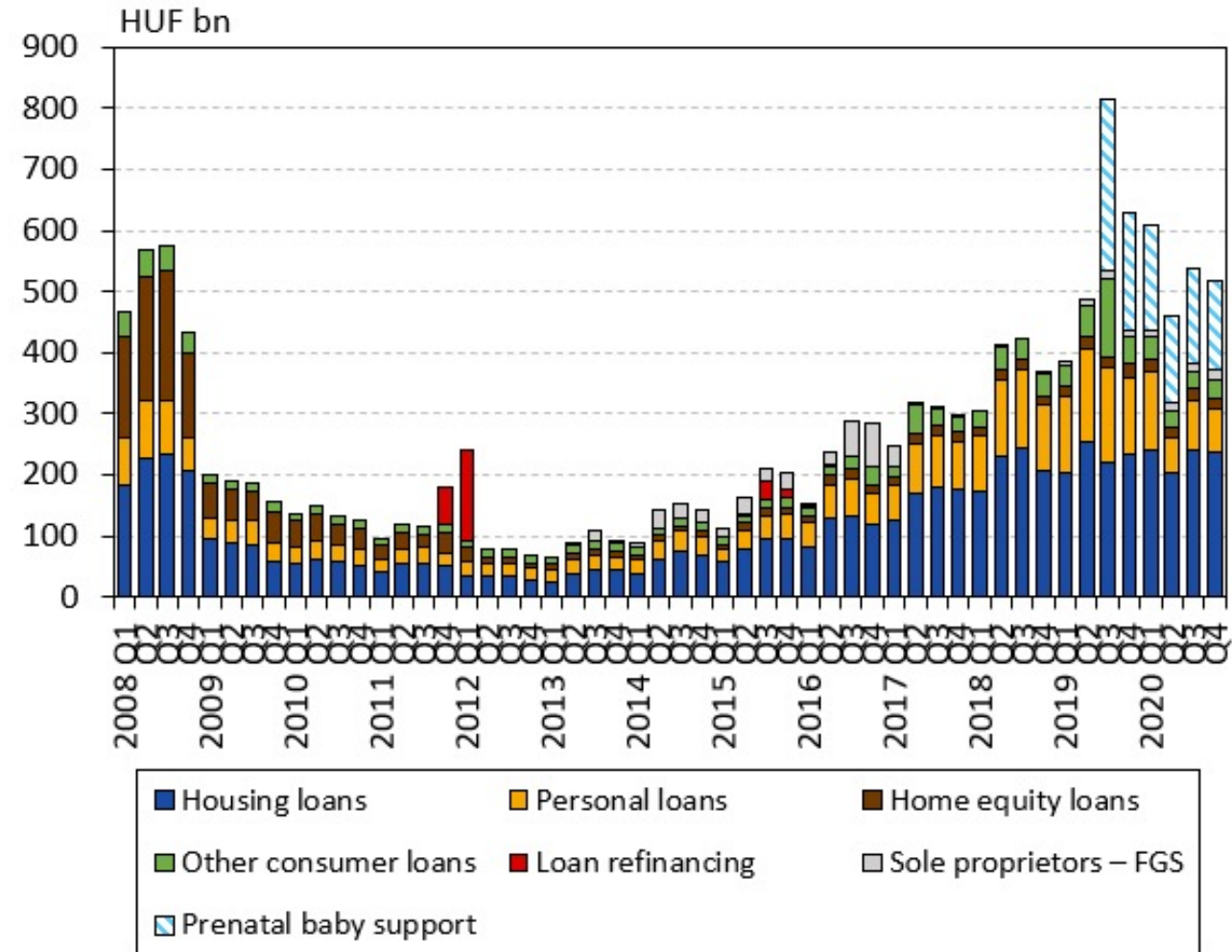
Source: Eurostat data, In: Periféria Working Papers nr.3.

II. Some evidence of over-indebtedness in Hungary



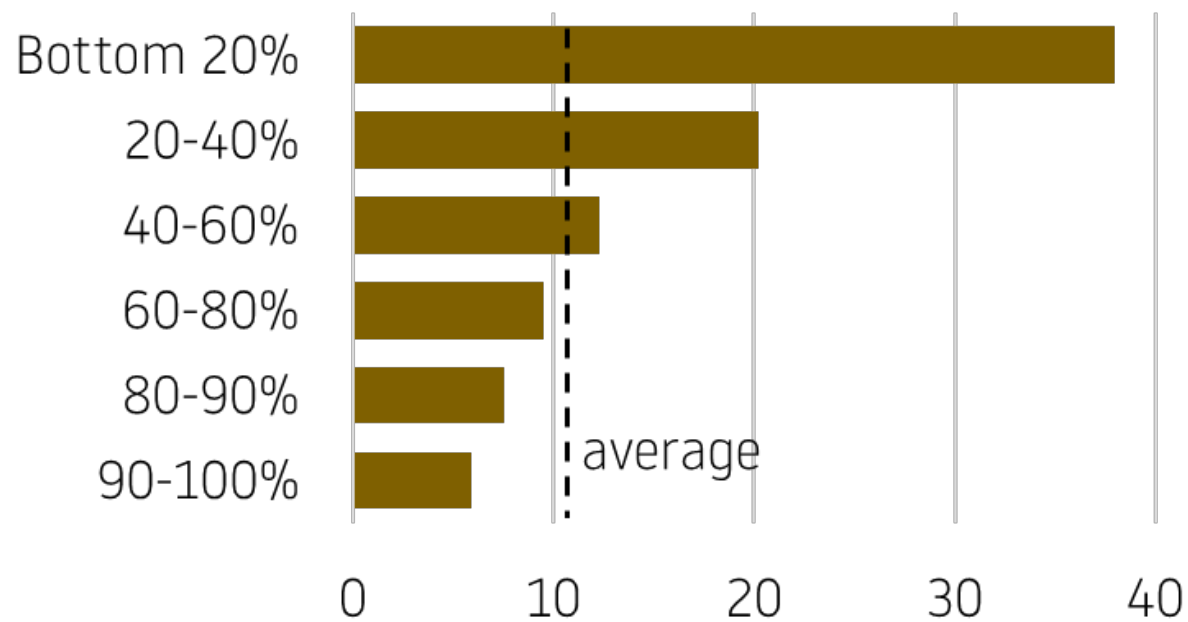
Sources: HCSO, MNB

New household loans in Hungary

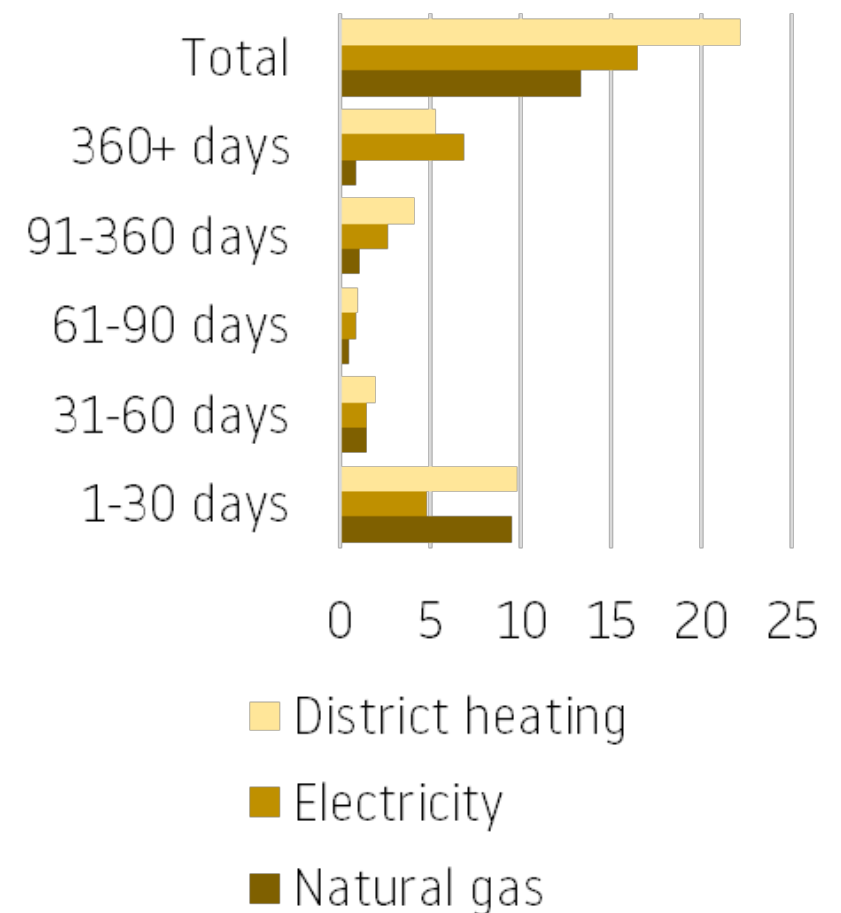


II. Some evidence of over-indebtedness in Hungary

Debt service to income according to income quintiles (2017)



Share of households with utility arrears (2019)



Sources: ECB, MEKH



III. Progressive politics for the future

- Stricter state regulations of financial markets (post-2008, post-Covid)
 - Developing mechanisms of progressive / sustainable finance
- Acting against dependent integration into Western European financial markets
- State-financed and broadly accessible debt advice / management services
- De-financialization of livelihoods – both housing markets and public services (utilities)
- Accessibility and affordability of housing for low-income groups (without mortgage) – acting against commodified and speculative housing