

## FACT SHEET

### SITUATION OF OVER-INDEBTEDNESS AT THE BEGINNING OF 2023

#### Germany

The financial situation of the population in Germany has deteriorated. Twenty-two per cent of people define their financial situation as 'bad' or 'very bad'. This is the worst value since 2014.

Thirty nine per cent with a household net income <€2000 cannot save. They have no financial possibilities to save money for their retirement. Thirty eight per cent of net income of over-indebted households have to be paid for rent and energy costs. (Source: Representative study 2022, N= 4.753, DSGV)

In the last quarter of 2022, 14% of Germans have taken an overdraft credit, with interest rates up to 14%. The main reasons given for these expensive overdraft credits are inflation and rising energy costs. (Source: Representative study, N=1.000, German Consumer Protection Association)

The German Credit Assessment company Schufa has registered 30% more negative entries 2022 in comparison to 2021. (Source: Press release Schufa 22/12/2022)

#### Croatia

The Croatian economy is considered state-centered, therefore there have been harsh negotiations with public sector syndicates resulting in salary rises through collective negotiation. This will partially cover the cost of rising energy prices and inflation for public sector employees. Although private sector employees may struggle, staff shortages place private sector employees in an advantageous position. According to the only regularly reported statistical category published by Fina there is no increase in the number of citizens with blocked accounts.

#### France

The figures for over-indebtedness and the number of people registered in the 'payment incident file' [two unpaid bank bills] in 2022 show a return to pre-covid levels. According to the Banque de France registrations in the credit payment incident file had increased significantly in January 2023 (figures will be published in mid-February). Credit institutions have also confirmed a significant increase in payment incidents on credit.

## **Portugal**

According to the Portuguese Central Bank data, there has been a decrease in credit defaults since 2017, both for housing and consumption. The same is true for the insolvency figures. However, experts say it is too early to see the effects of rising interest rates and the inflation rate. The government passed some rules in November that make renegotiation of mortgage loans mandatory in certain circumstances, but there have been some allegations that banks are not offering alternatives for a number of consumers who are trying to avoid defaulting on their loans. In addition, they are reporting renegotiation as negative information for the Central Bank's credit file.

## **Spain**

There are worrying signs of an increase of over-indebtedness in 2023 in Spain:

According to data recently published by INE (Instituto Nacional de Estadística/National Statistics Governmental Agency) the unemployment rate has increased: The number of households with all members unemployed has increased in 2022 by 2.3% (36,600 more than in 2021). As a result, 1,047,500 households are currently without any salary entering at home.

The official figure of unemployment in Spain (3,023,899 people) is 12.87% (the highest in the EU). But some believe this figure should be 350,000 higher.

Public debt increased to €28,000 million in the third quarter of 2022.

The Inter-annual General Prices index (IPC) rose in January 2023 (up to 5.8%). Moreover, inflation has risen to 7.5% due to oil price increases (the state subsidy of 0.20€ per litre of gasoil/petrol has ended).

Spain is the only member state of the EU that has not yet recovered its the pre-pandemic GDP (Gross Domestic Product).

The increase of Euribor is putting at high risk households with a variable interest mortgage rate (the 36.6% of all).

## **Greece**

There are complaints from consumers concerning the increasing interest rates. Debtors who had regulated their debts, according to previous Greek insolvency laws, are facing difficulties and are in danger of discontinuing their payments and losing beneficial debt regulations ordered by court decisions. Even people who never profited from any insolvency law in the past and are consistent regarding their loan payments until now, are facing the danger that their loans will become non-performing.

According to a research that EKPIZO has recently conducted (December 2022 - January 2023), concerning inflation and the governmental measures against it, 79% of the participants were obliged to reduce their expenses on basic goods, thus confirming the decrease of living standards and a forthcoming poverty wave.

## Poland

The number one problem in Poland is inflation. In 2022, the inflation rate was over 17%, but it is expected to be over 20% in February 2023. Food costs much more than a year ago, for example, sugar costs 86% more. More raises are expected due to the increase in the minimum salary in January, followed by a second raise in July. Inflation destroys household budgets and savings; 44% of Poles do not have any savings. The remaining 56% of Poles have an average of PLN 29,688 (~€6,230) in savings. Only 10% of Poles have insurance in case of an unfortunate event.

(source: <https://pieniadze.rp.pl/budzet-rodzinny/art36655131-co-trzeci-polak-zyje-bez-oszczednosci-mniej-niz-polowa-sie-ubezpiecza>)

### Increasing number of debtors

At the end of November 2022, the total value of overdue consumer debt amounted to almost PLN 78.3 billion (~€16,4 billion), and almost 2.7 million Poles have problems with settling their current payments. Over 2.1 million have non-credit arrears, and almost 1.1 million have overdue credit obligations. Within 11 months of 2022, almost 20,813 unreliable payers were added to Credits Information Bureau Data. The most problematic ones to pay off are amounts from 2 to 5 thousand PLN. In other words, 17% of the people have such arrears. Fifteen per cent of the people have liabilities from 5 to 10 thousand PLN to repay, and the worst situation is for people 35-54 years old [<https://media.big.pl/dlug-trendy>]

### Increasing non-banking consumer credits in 2022 and small amount bank credits less than 1000 euro

In 2022, loans granted in the non-banking sector increased both in value (+27.0%) and in number (+22.0%). Two factors had an impact on the number and value of loans granted in 2022. The first is the dynamic growth of the deferred payments market. The second is an increase in the demand for an easily accessible, low-value financing, needed for current expenses or covering the deficit in the household budget.

[Report of Credit Information Bureau

<https://media.bik.pl/informacje-prasowe/789059/bik-podsumowuje-2022-r-na-rynku-kredytow-i-pozyczek-oraz-prognozuje-2023-r>]

### More shopping with deferred payments

"Buy now, pay later", also known as "BNPL" is a model of online shopping. Poland has the biggest number of deferred payments in Europe. 62% of Poles used a BNPL at least once.

A big number of small credits is an easy way to fall into a debt loop. Those non-banking credits are harder to consolidate and negotiate smaller installments.