

An aerial photograph of a city, likely Amsterdam, showing a dense urban landscape with a river on the left. A prominent modern building with a glass facade and a circular top section is visible in the center-right. The image is overlaid with a dark blue semi-transparent box containing text.

DNB

# The Dutch Experience with Macroprudential Policy

Presentation for the Fourth ESRB Annual Conference, Sept 27, 2019

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DeNederlandscheBank

ESRB

# Structure of the talk

## **Financial stability risks in the Netherlands**

*International vs. domestic risks*



## **Macroprudential policy responses**

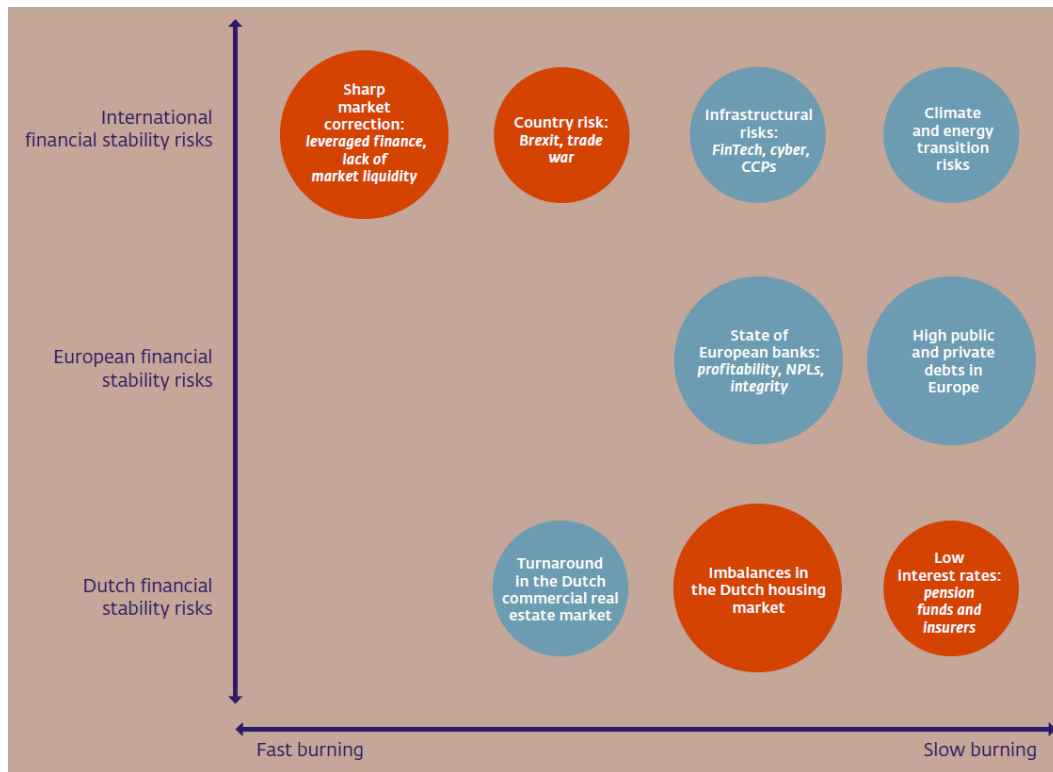
*Mitigating risks vs. building resilience*



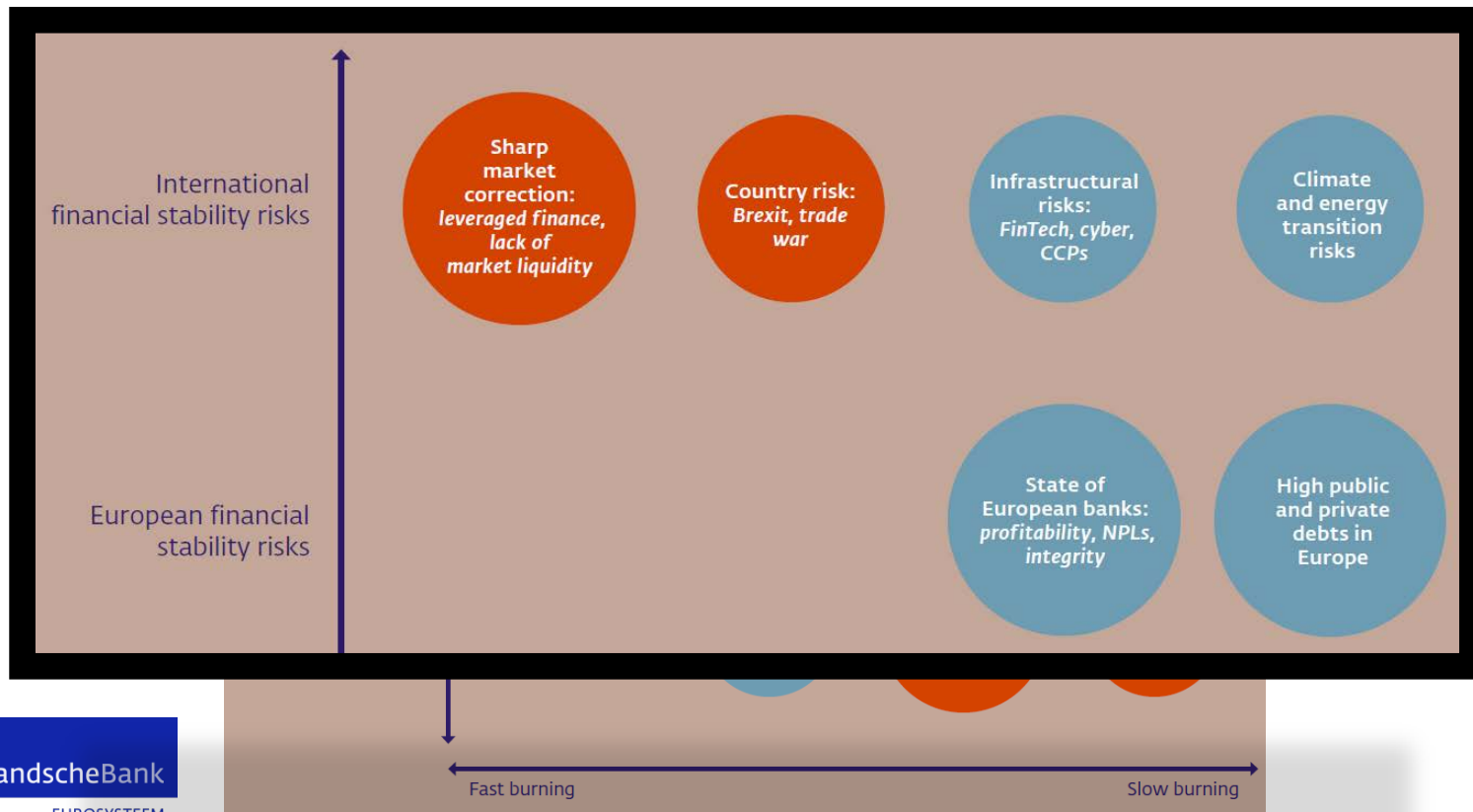
## **Take-aways**

# Main risks to financial stability

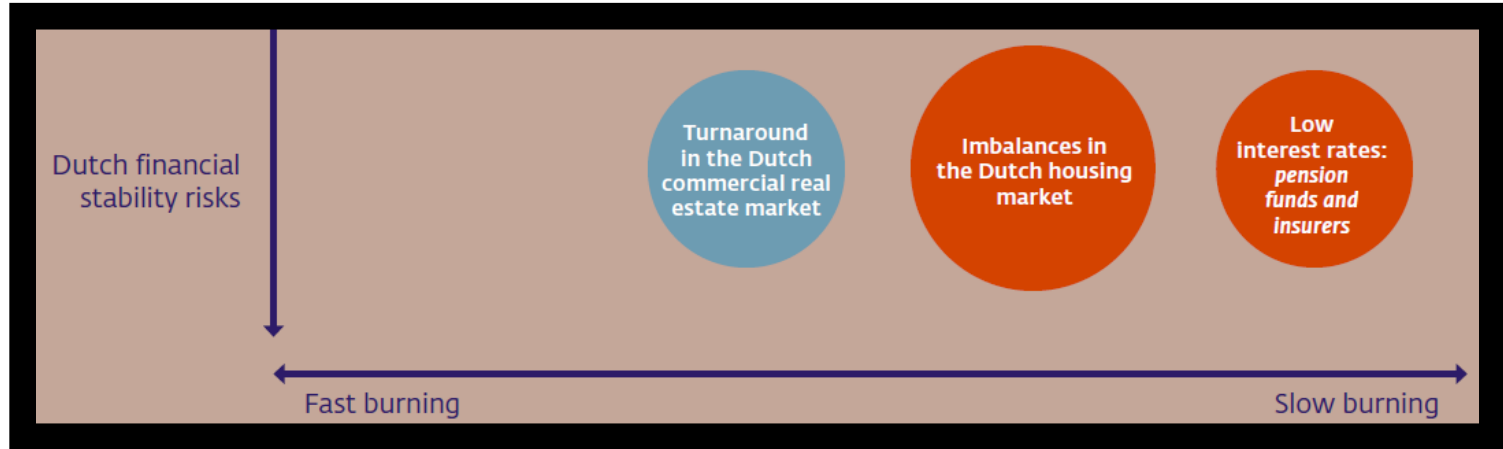
## DNB Financial Stability Report Spring 2019



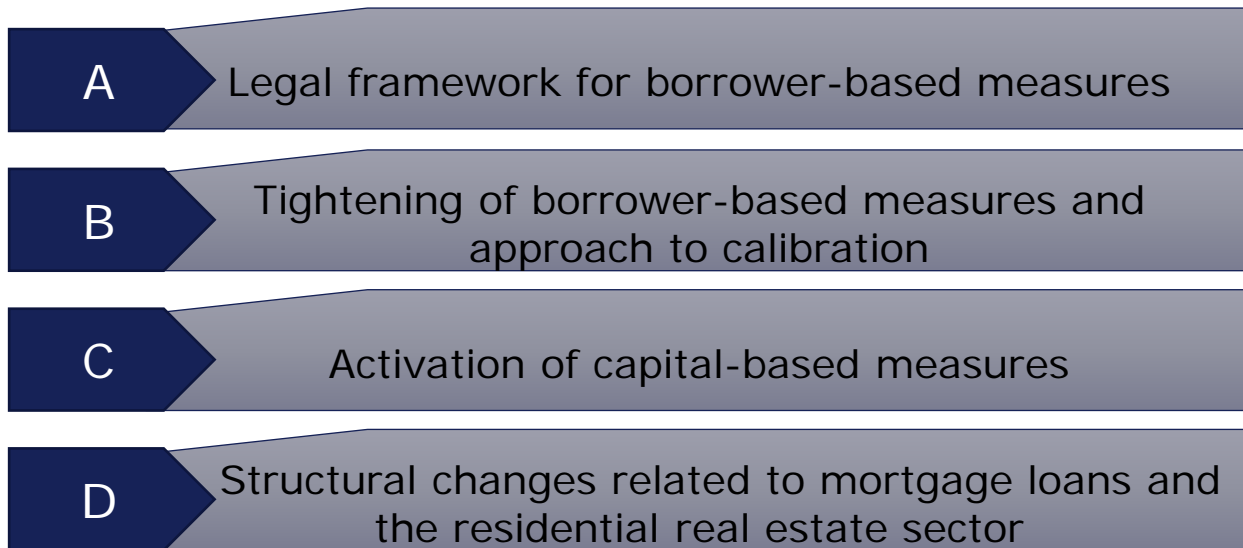
# Most risks are international



# Housing market is the main domestic risk



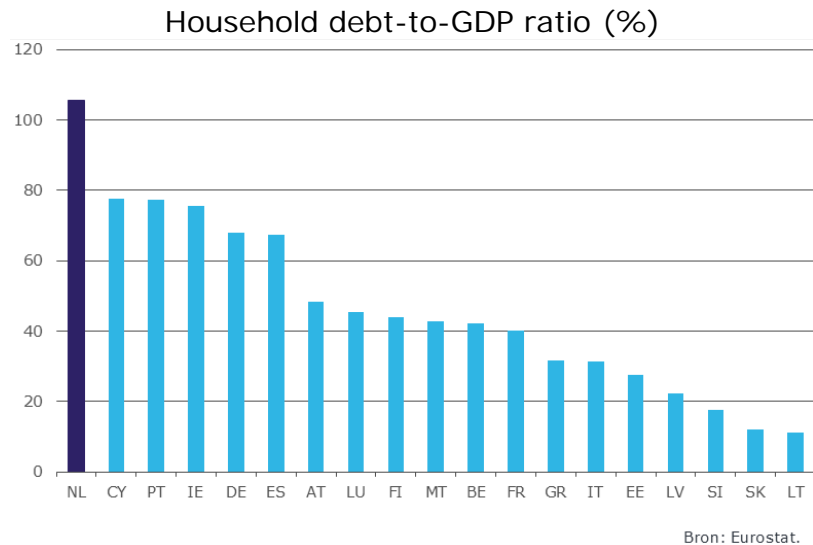
# ESRB Recommendation



# Structural vulnerabilities in the housing market

In the Netherlands, household debt is high...

...which can amplify financial crises



House prices decrease

Home-owners consume less

Adverse impact on real economy

Adverse impact on financial institutions

# Addressing the structural vulnerabilities

## Fiscal subsidy

**Issue:** Generous mortgage interest deductibility

**Measures:**

- Decrease maximum rate of mortgage interest deductibility
- Deductibility conditional on amortisation

## LTV limit

**Issue:** High loan-to-value ratios

**Measures:**

- Introduction of LTV-limit; gradual reduction from 106% to 100%
- Recommendation of Dutch FSC to further reduce to 90%



# Cyclical vulnerabilities are increasing

Real estate prices have increased sharply...

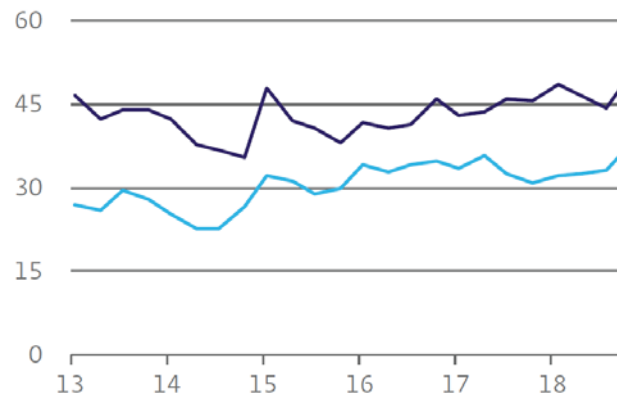
...and home-buyers are borrowing more

Residential real estate price index



Source: Statistics Netherlands.

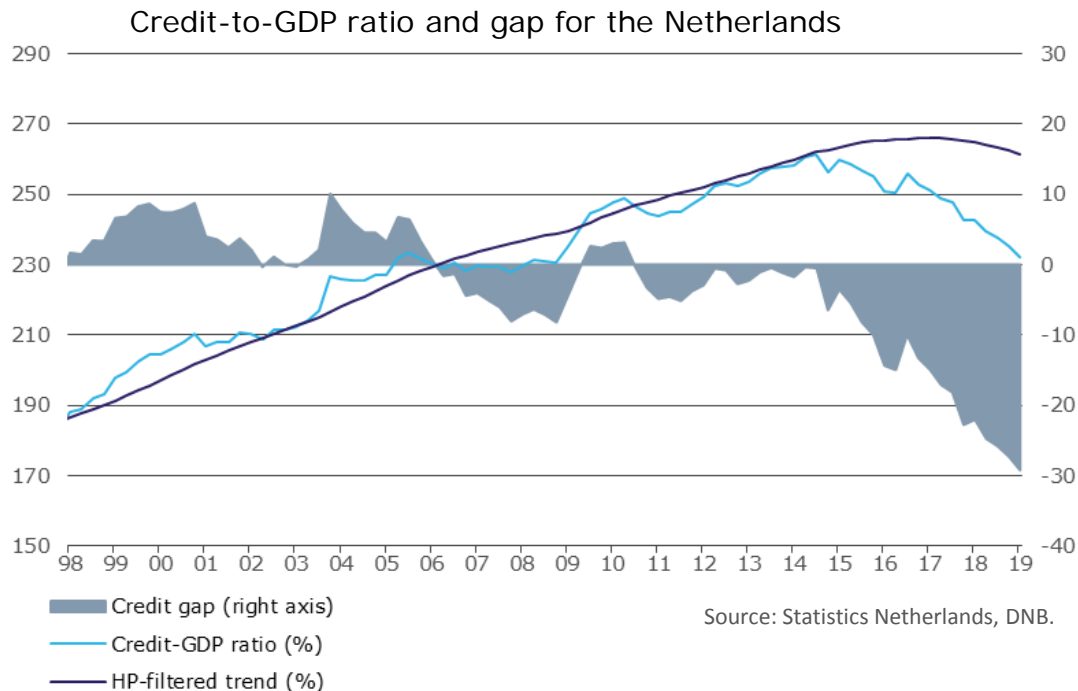
LTI over 90% of the criterion  
(% new production)



Source: DNB.

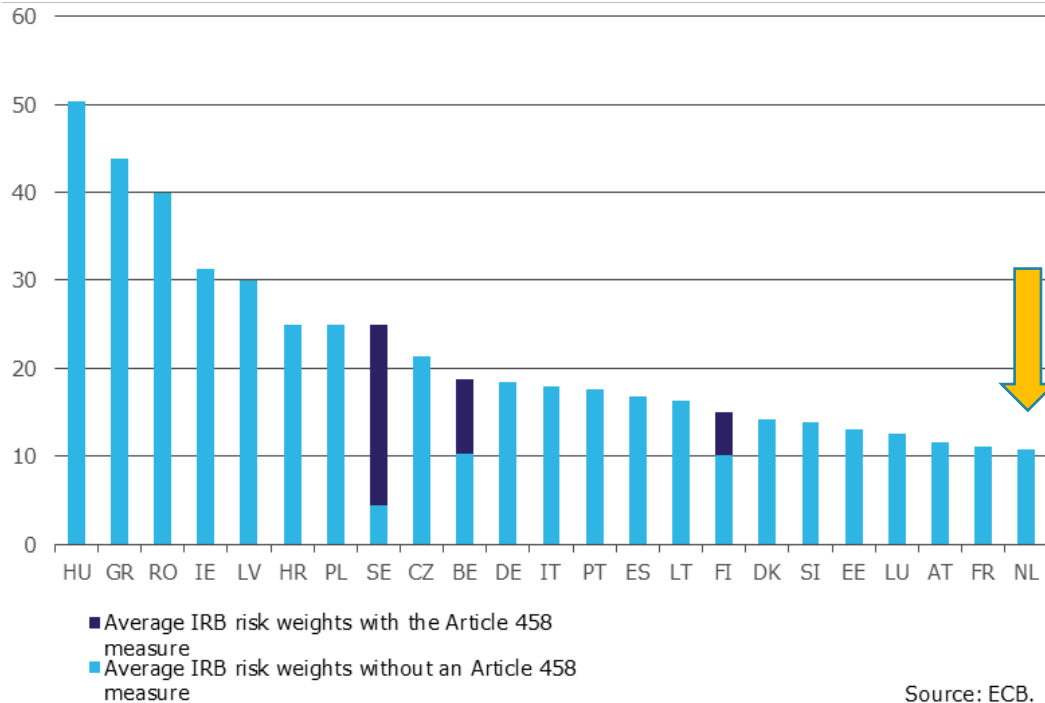
- First-time buyers
- Existing home owners

# Option 1: Activating the CCyB



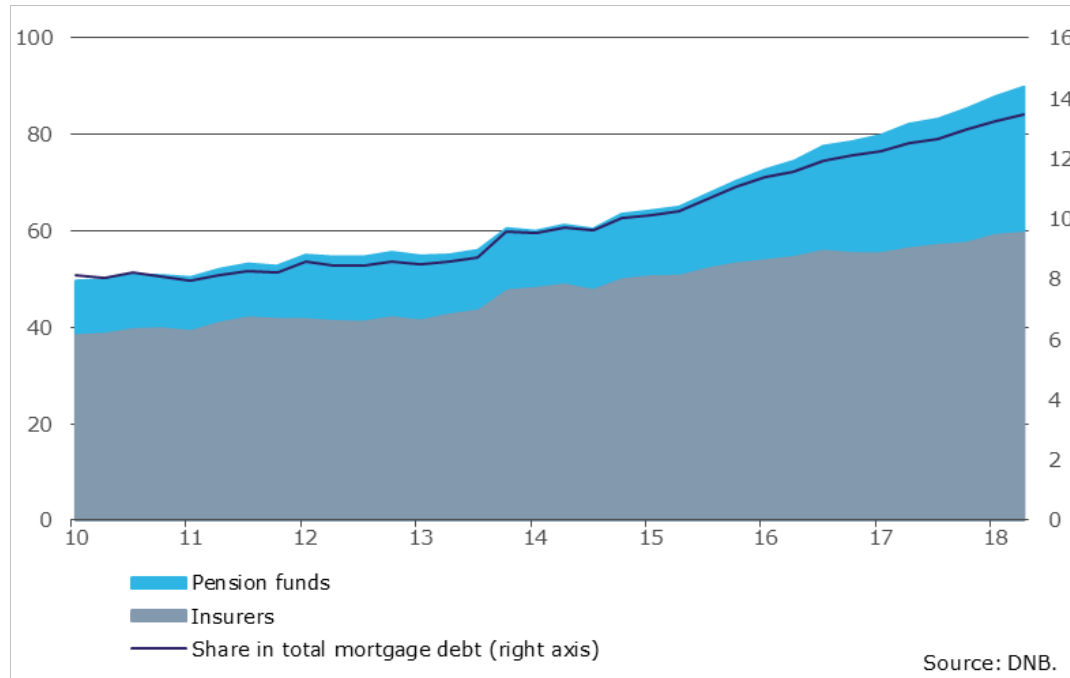
# Option 2: Risk weights (CRR Art. 458)

IRB risk weights of Dutch banks are the lowest of the EU



# The role of non-banks in mortgage lending is growing

Outstanding mortgage amount in the Netherlands in EUR billion



Source: DNB.

# Take-aways

In the Netherlands:

- Most vulnerabilities are international
- Structural features of the housing market matter, but take time to address
- Limited support for tightening of borrower-based measures
- Macroprudential toolkit mainly targeted at banks

Thank you