

საქართველოს ეროვნული ბანკი
National Bank of Georgia

Moderating Excessive Household Debt Case of Georgia

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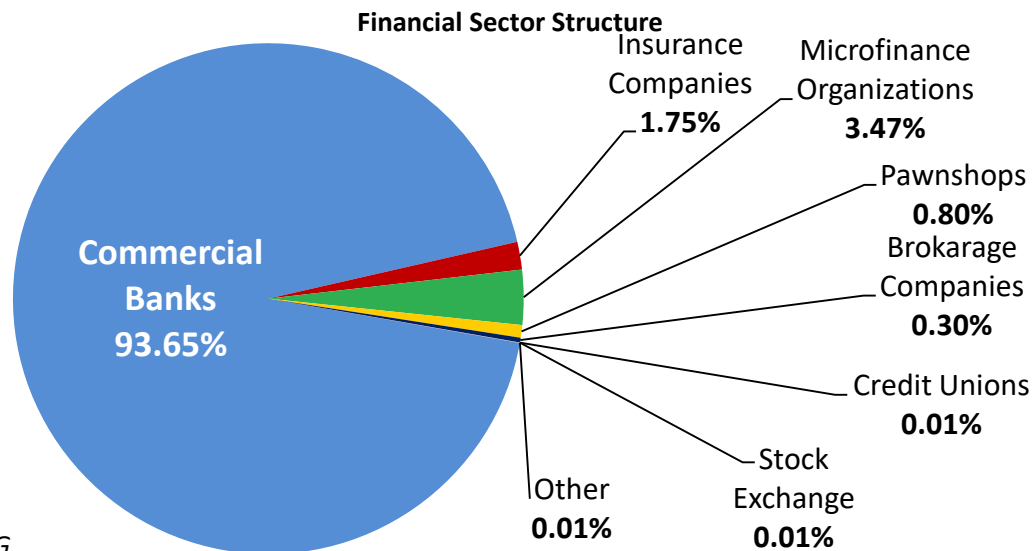
OECD & ADBI 20th Roundtable on Capital Market and Financial Reform in Asia

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Georgia at a Glance

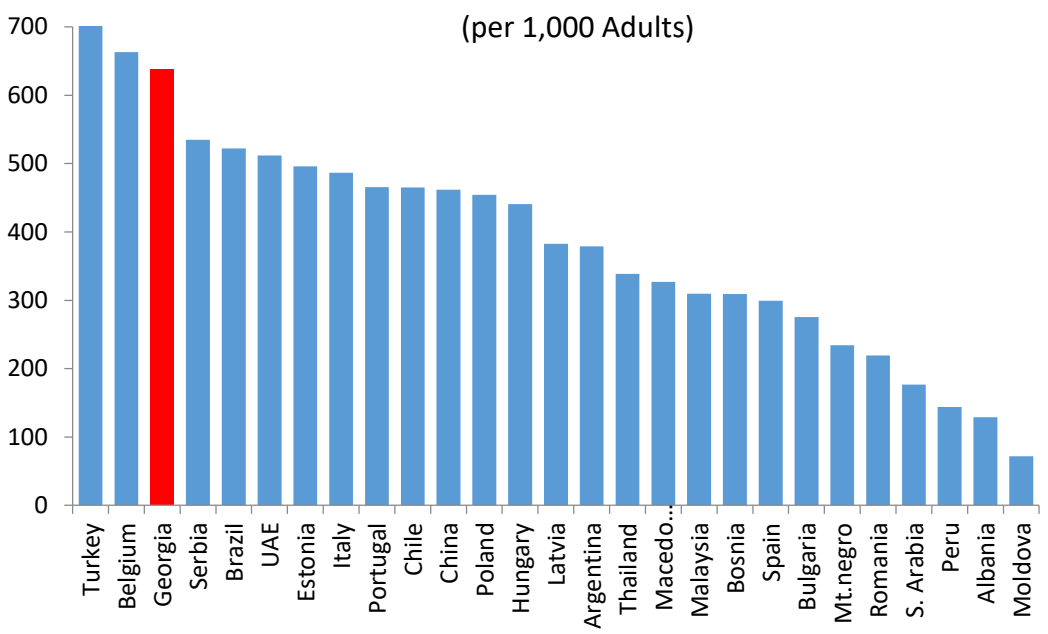
Small open economy

- Area: 69,700 sq km
- Population: 3.7 million (2018)
- GDP 2018: US\$16.2 billion
- GDP per capita 2018 (PPP): int\$ 11,485
- GDP real growth 2019: 5.2%
- Average inflation rate (2009-19): 3.5%
- USD/GEL = 3.3
- External public debt / GDP 2018: 35.5%
- No State Bank. Top Bank listed on LSE
- Main Challenge: Dollarization

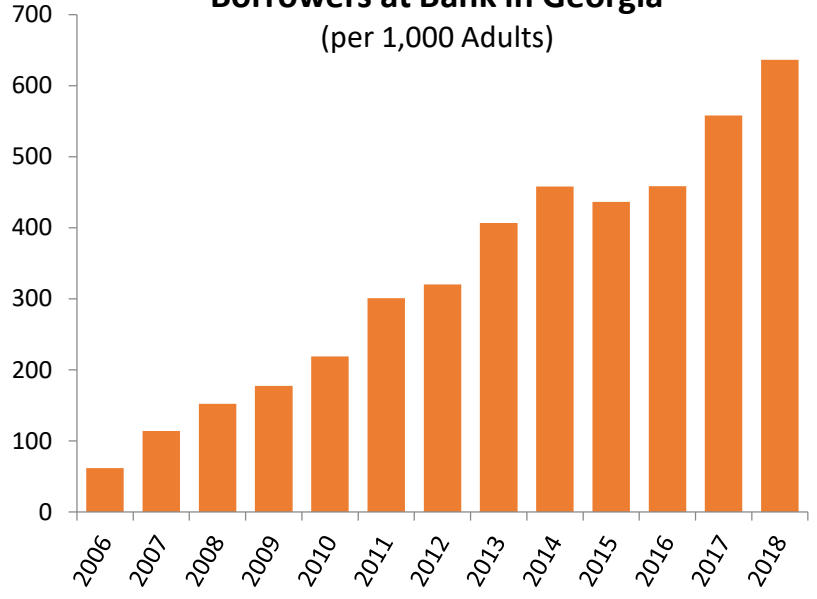


Household Debt

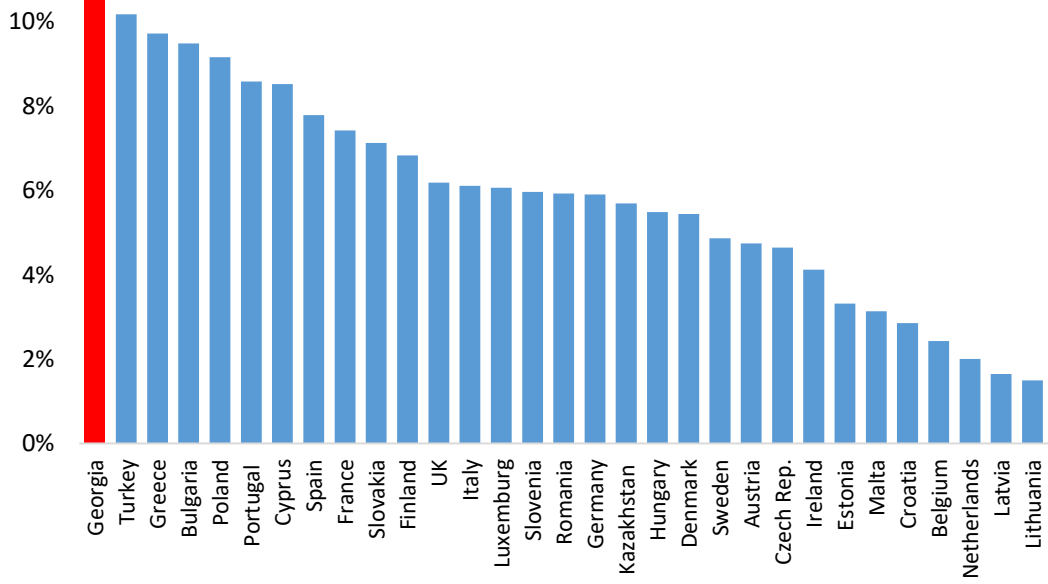
Number of Borrowers at Bank
(per 1,000 Adults)



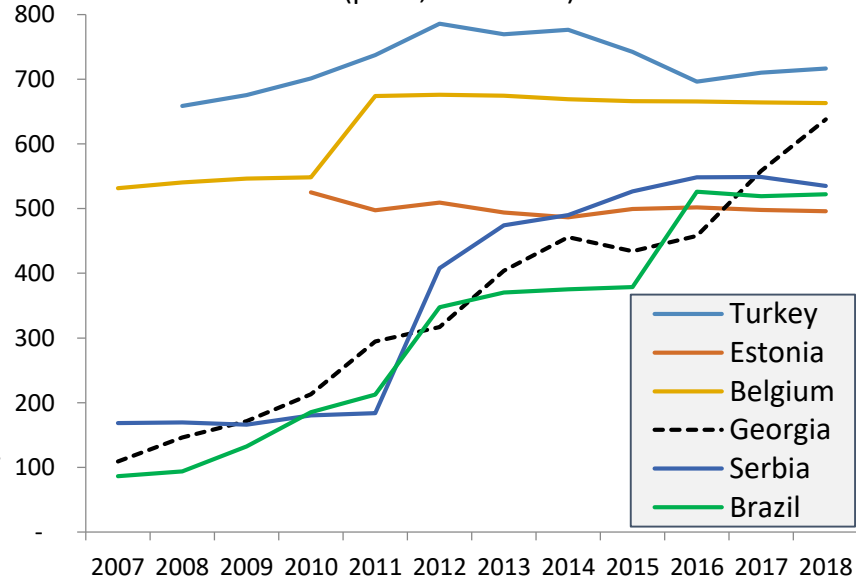
Borrowers at Bank in Georgia
(per 1,000 Adults)



Consumer Loans / GDP



Household Borrowers at Bank
(per 1,000 Adults)

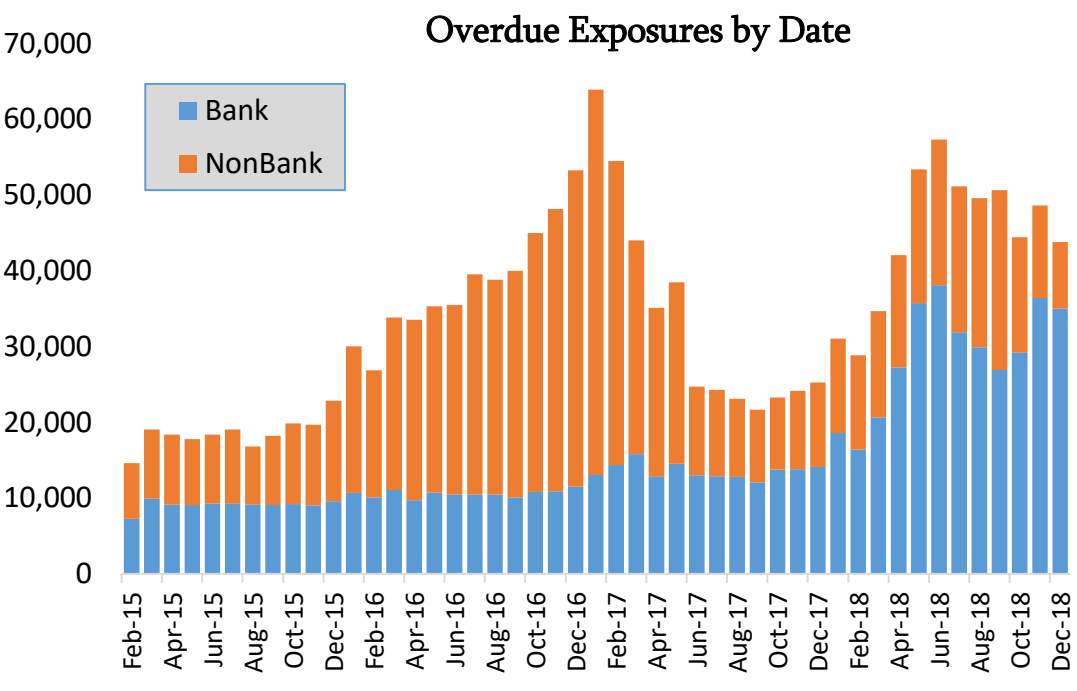
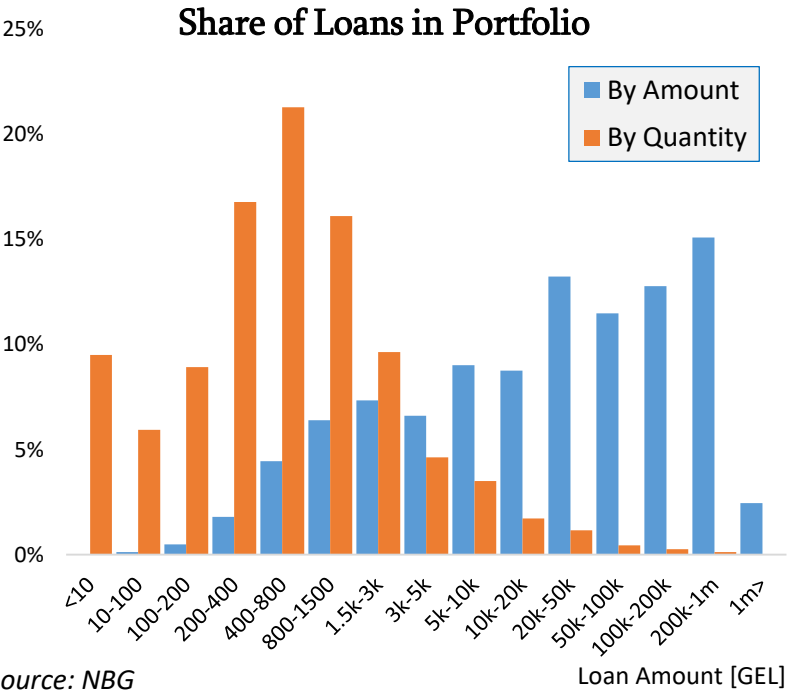
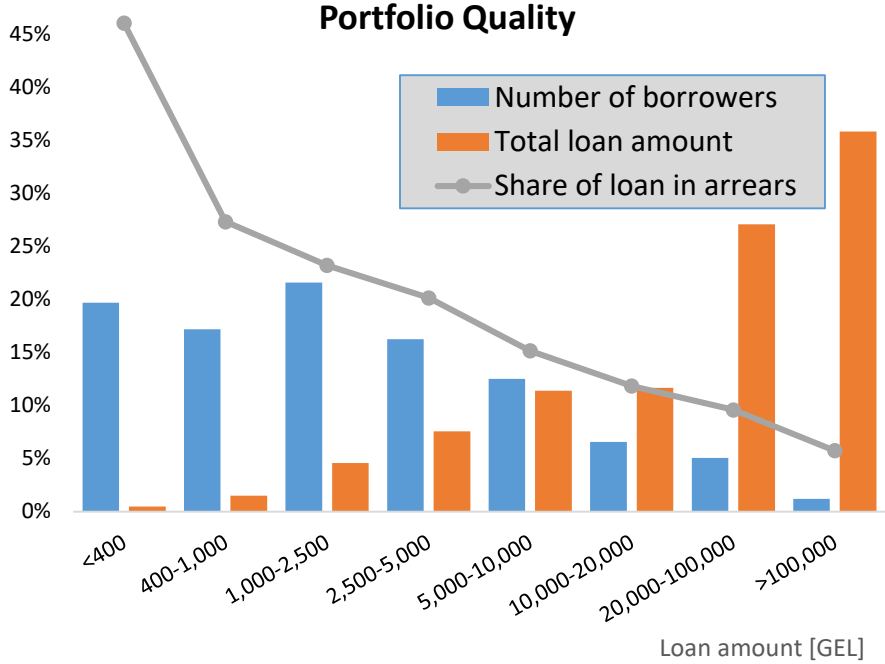


Source: IMF FAS

Household Indebtedness Stats [2018]

- Population [Adult]: 3.0 mln;
- Population [18-65Y]: 2.3 mln;
- # of Borrowers: 2.1 mln;
- # of Loans: 5.6 mln;
- # of Overdue Borrowers: 0.7 mln;
- # of Overdue Loans: 2.0 mln;
- NPL: 3%

Parallel loans	
# of Loans	# of Borrowers
1	35%
2	23%
3	15%
4	10%
5	6%
6-7	6%
8-10	3%
10<	2%



Source: NBG

Retail Lending Regulations

- Effective interest rate cap - 50% annually;
- Cap on penalties – 0.27 Daily; Cap on cumulative interest&fees 150%;
- No FX lending up to 200,000 GEL equivalent.
- No retail loan should be issued without creditworthiness check;
- Applies to every lender, both bank/non-bank with >20 loans;
- Limit on Payment-to-Income [PTI] and Loan-to-Value [LTV] ratios:

PTI Limit		
Income	FX Loan	GEL Loan
<1,000	20%	25%
>1,000	30%	50%

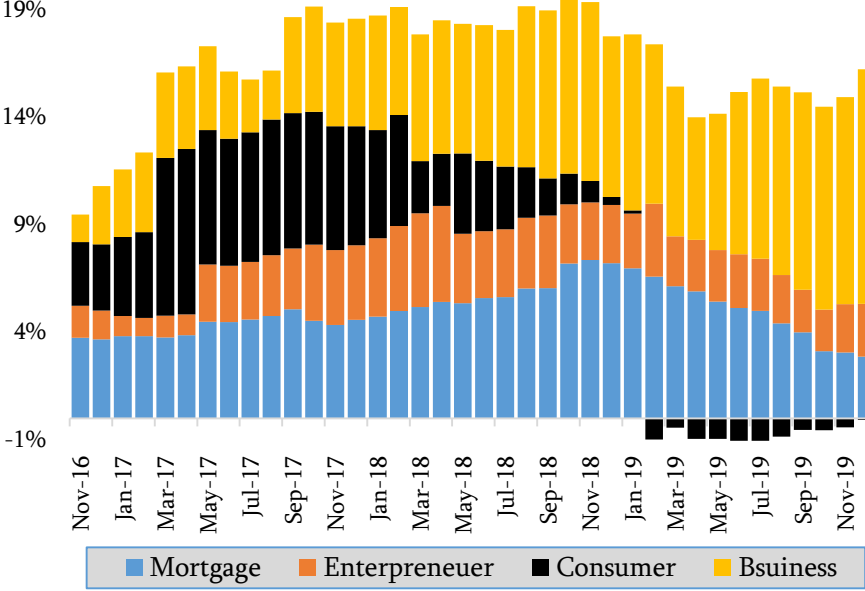
LTV Limit	
GEL Loans	85%
FX Loans	70%

- Credit information bureau regulation for enhance coverage/quality;
- Consumer protection & disclosure requirements;
- Financial literacy initiatives.

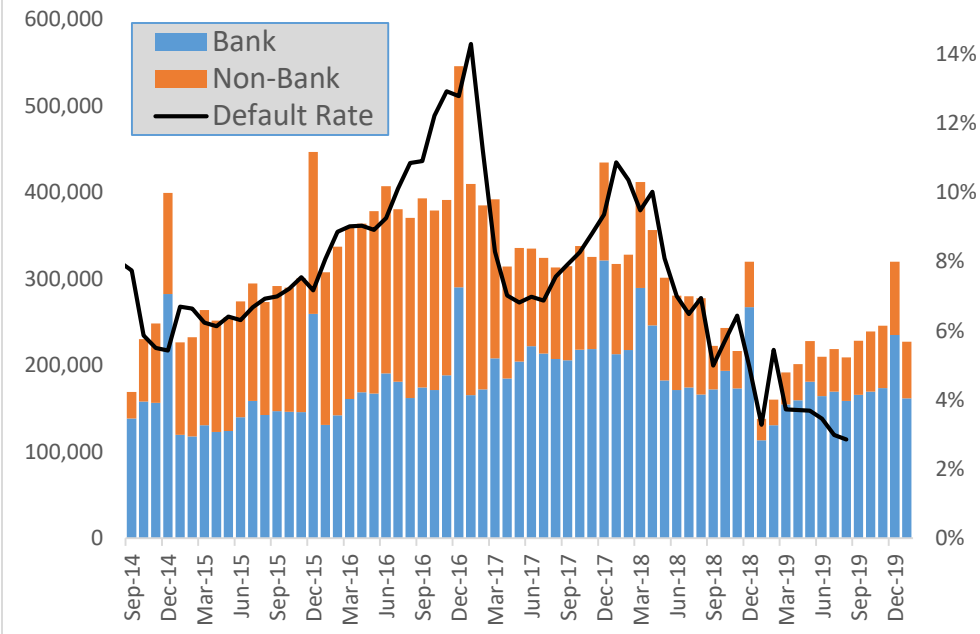
Early Results

Credit Growth Decomposition

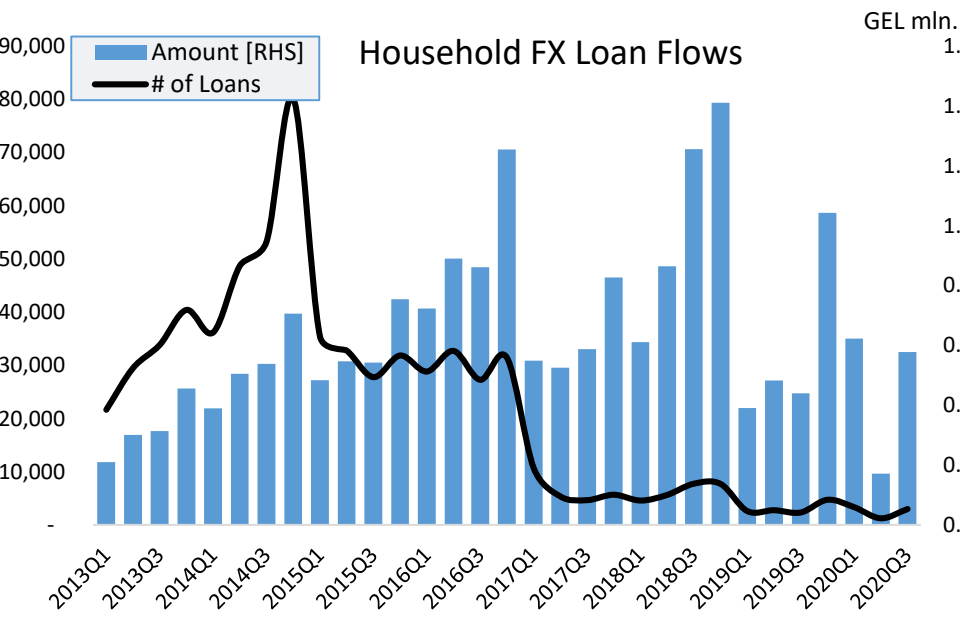
(YoY, Excl. FX impact)



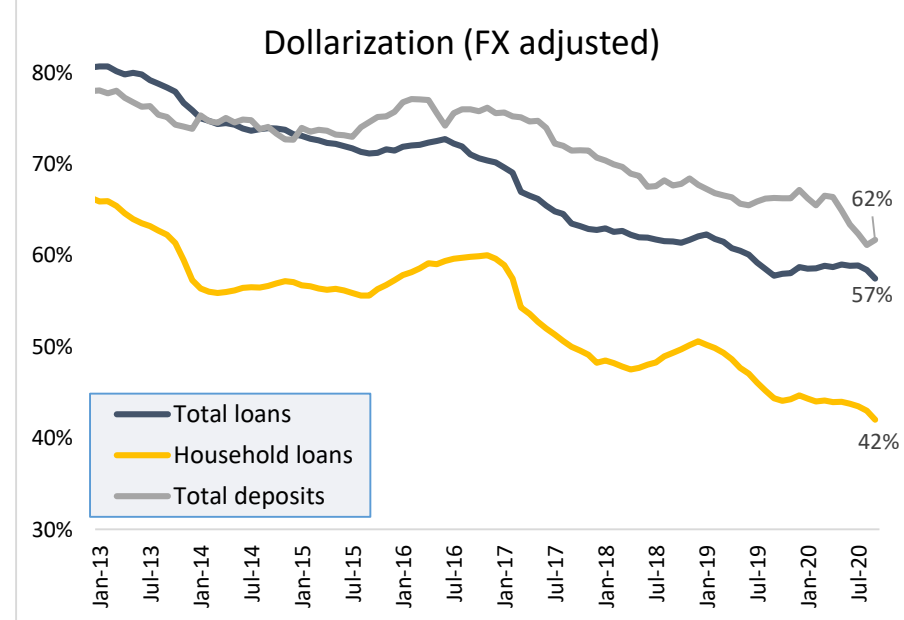
Disbursed Loans and Default Rates



Household FX Loan Flows



Dollarization (FX adjusted)



Challenges

- Strong Switch to Business Funding – Push to Capital Markets;
- Access to Finance;
- Informal Income;
- Compliance Costs;
- Local Currency Funding;
- ✓ *Credit Infrastructure & Fintech Solutions*
 - OpenBanking and open tax income initiatives;

Thank You!

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