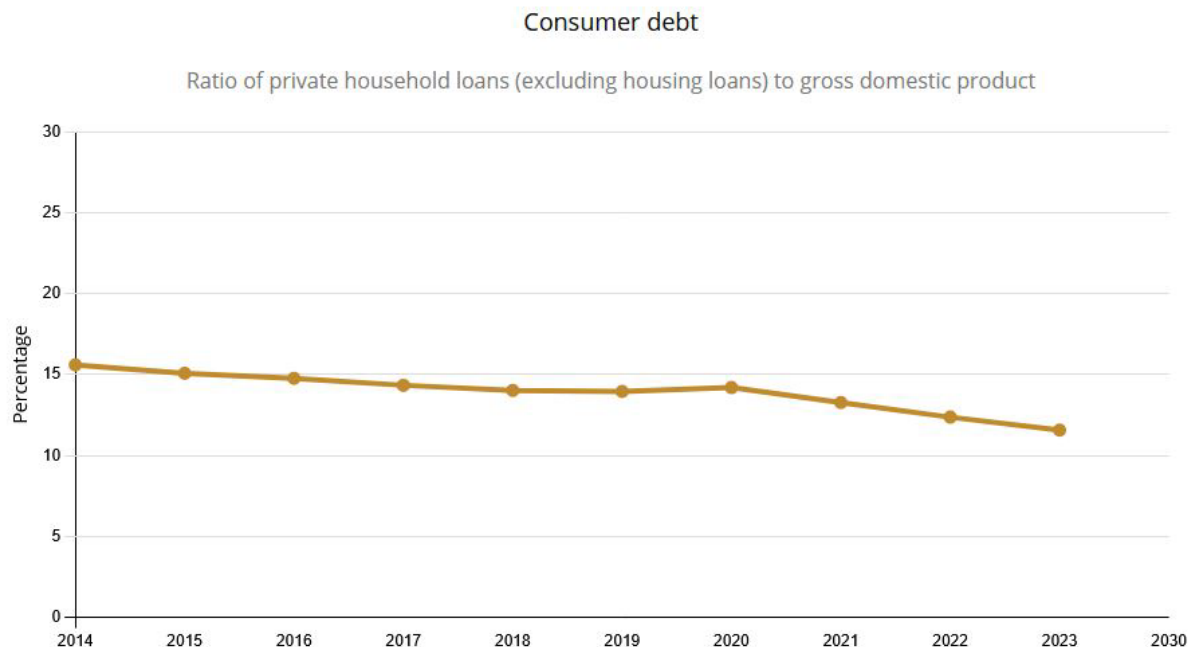




Consumer debt – Consumer debt – Avoid overloading consumers

12.4 Consumer debt



Note(s):

The data is based on a special evaluation and is not publicly available.

Data source(s):

German Federal Bank, Federal Statistical Office

Definition

Consumer debt represents the total debt of private households (as defined by the European System of Accounts (ESA), excluding housing loans) in relation to gross domestic product (GDP) (as a percentage). This includes both the debt of private individuals and the debt of so-called private non-profit organisations (e.g. trade unions, political parties, churches and religious communities, social and cultural associations, charities or sports and leisure clubs, etc.).

Intention

Consumer indebtedness and over-indebtedness restricts financially self-determined behaviour. Excessive consumer debt should be avoided in order to prevent overburdening.

Target

Reduction to below 10% by 2030

Content and progress

The indicator represents the financial burden of private households and private non-profit organisations in relation to the Gross Domestic Product (GDP). It is intended to serve as an analysis of the extent to which these groups rely on loans to finance their consumption



and economic activities. The data for the calculation are derived from the financing accounts of the Deutsche Bundesbank.

From a financial perspective, private households are primarily characterised by their spending, which is mainly used for the consumption of goods and services. Unlike the National Accounts¹, the Bundesbank also includes sole proprietors, freelancers, and self-employed farmers in this sector.

Private non-profit organisations² encompass entities with their own legal personality that, as private non-market producers, provide various services to private households, such as political parties, trade unions, religious institutions, foundations, and social associations. The debts captured by the indicator mainly consist of consumer credits, loans, and other financial obligations directed at consumption. Business loans are also considered part of private indebtedness. Housing loans, however, are not included.

By relating consumer debt to GDP, the indicator does not allow detailed conclusions to be drawn about the debt situation of individual households or its distribution. It only shows the ratio of total consumer debt to economic output, without taking into account the distribution of debt within the population or the individual capacity to bear debt. For a comprehensive analysis of over-indebtedness, it would be necessary to consider private household debt in relation to measures such as disposable household income. Such an approach would take into account both the absolute level of debt and households' ability to service their debt in line with their income situation.

In contrast to consumer credits, housing loans theoretically offer the possibility of selling the acquired property at any time if necessary and thus potentially offsetting the debt associated with the loan through the sale of the property. In practice, however, the maintenance of property values is often difficult to predict, so over-indebtedness situations may also arise from housing loans.

The indicator shows a decline in the ratio of consumer debt to GDP from 15.9% in 2014 to 11.7% in 2023. Over the same period, the absolute amount of debt increased from approximately 465 billion euros to around 488 billion euros, representing a rise of 5%. The decline in the share of consumer debt relative to GDP is mainly due to stronger growth in economic output compared to the growth of consumer debt. An exception was in 2020: in the first year of the COVID-19 pandemic, GDP declined, causing the indicator value to rise temporarily. The total amount of loans also fell in 2020 and 2021. In 2022, the volume of loans rose again.

In 2022 and 2023, the European Central Bank (ECB) gradually increased interest rates. The total volume of loans in 2023, at around 488 billion euros, was the lowest since 2018. Overall, it can be noted that the indicator's trend in the past was mainly dependent on GDP developments, which showed significantly stronger fluctuations than the total amount of consumer credit.

The politically established goal to reduce consumer debt to below 10% of GDP by 2030 is likely to be achieved if the trend of recent years continues.

¹ Sector S.14 of the European System of Accounts (ESA).

² Sector S.15 of the European System of Accounts (ESA).



Type of target

Target with specific target value

Assessment

The ratio of private household loans (excluding housing loans) to gross domestic product should be reduced to a maximum of 10% by 2030.

If the trend observed over the past six years continues, the politically defined target will already be met by 2028. Indicator 12.4 is therefore assessed as sun for 2023.

