Principles of financial crises in the first two decades of the 21st century

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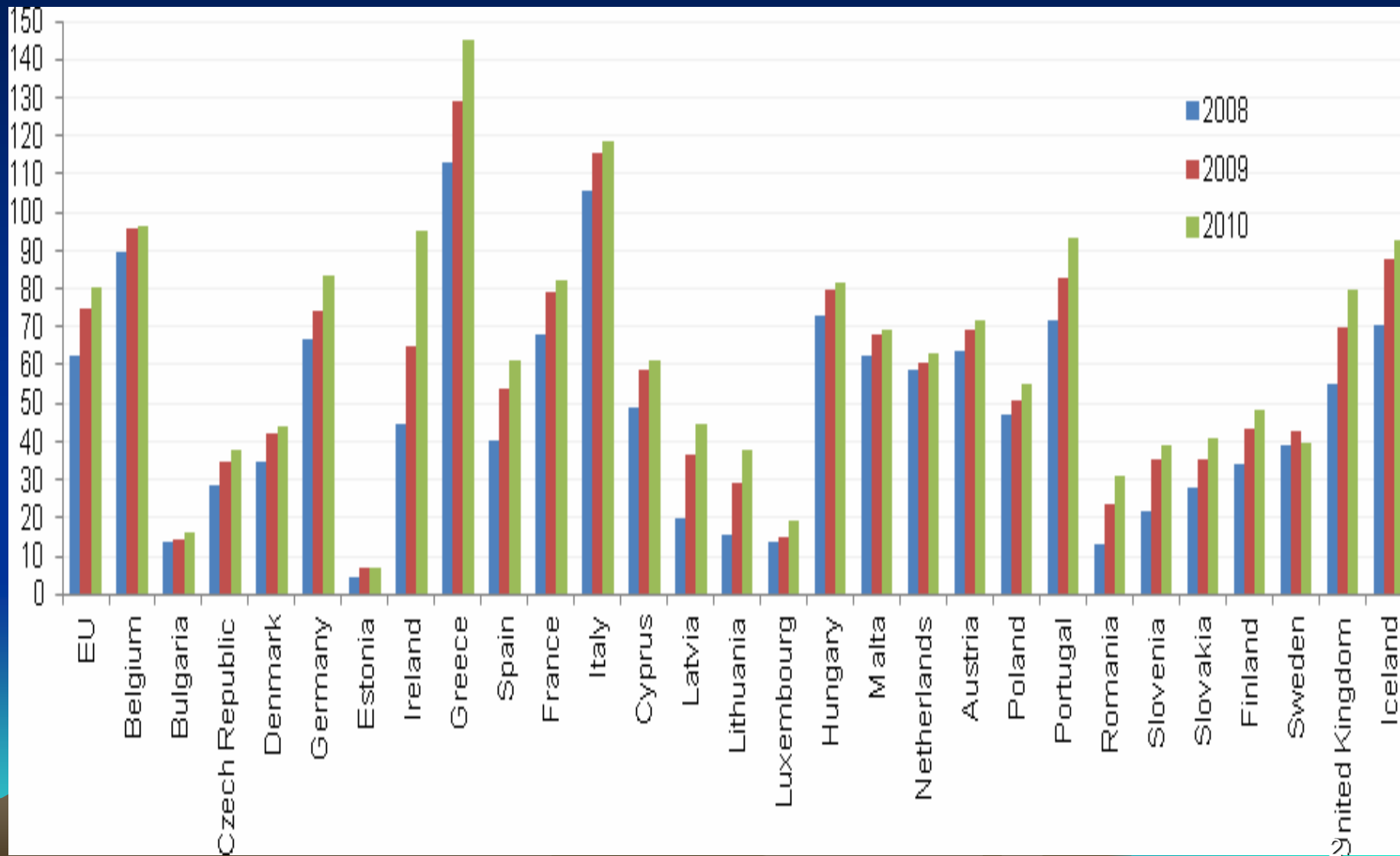W. Churchill Sq. 4, 130 67 Prague 3
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General government gross debt [% GDP]

Source: EUROSTAT http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb090

General government gross debt in % of GDP, growth debt rate 2008-2010 [%]

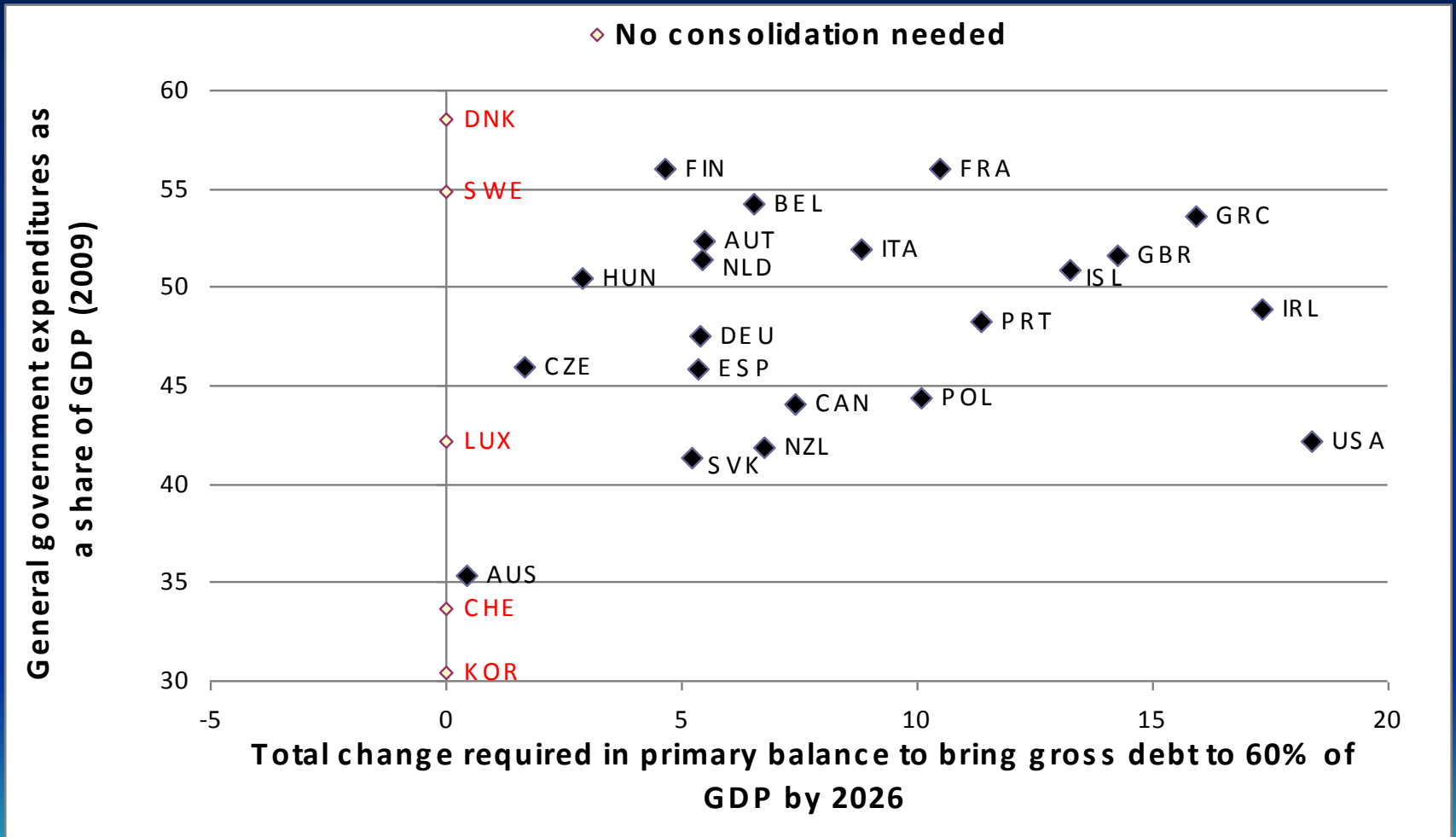| Country	Growth rate
Bulgaria	140,2
Lithuania	140,1
Cyprus	126,4
Romania	125,5
Slovakia	122,9

Growth rate EU 27 countries is only 101,3%

Source: EUROSTAT and own calculation

Relation between General government gross debt [% GDP] and Real GDP growth rate [% change on previous year 2009/2010]
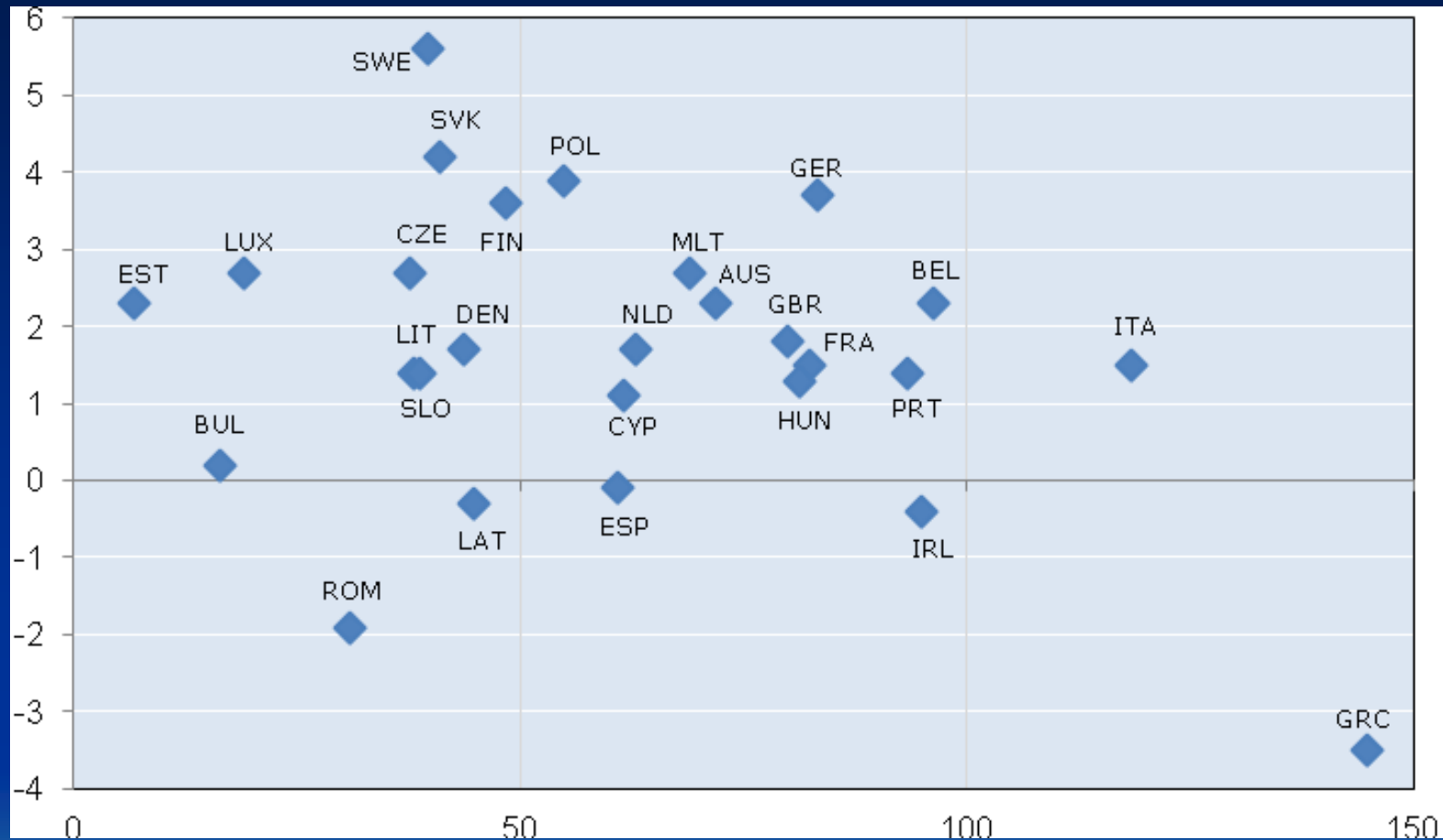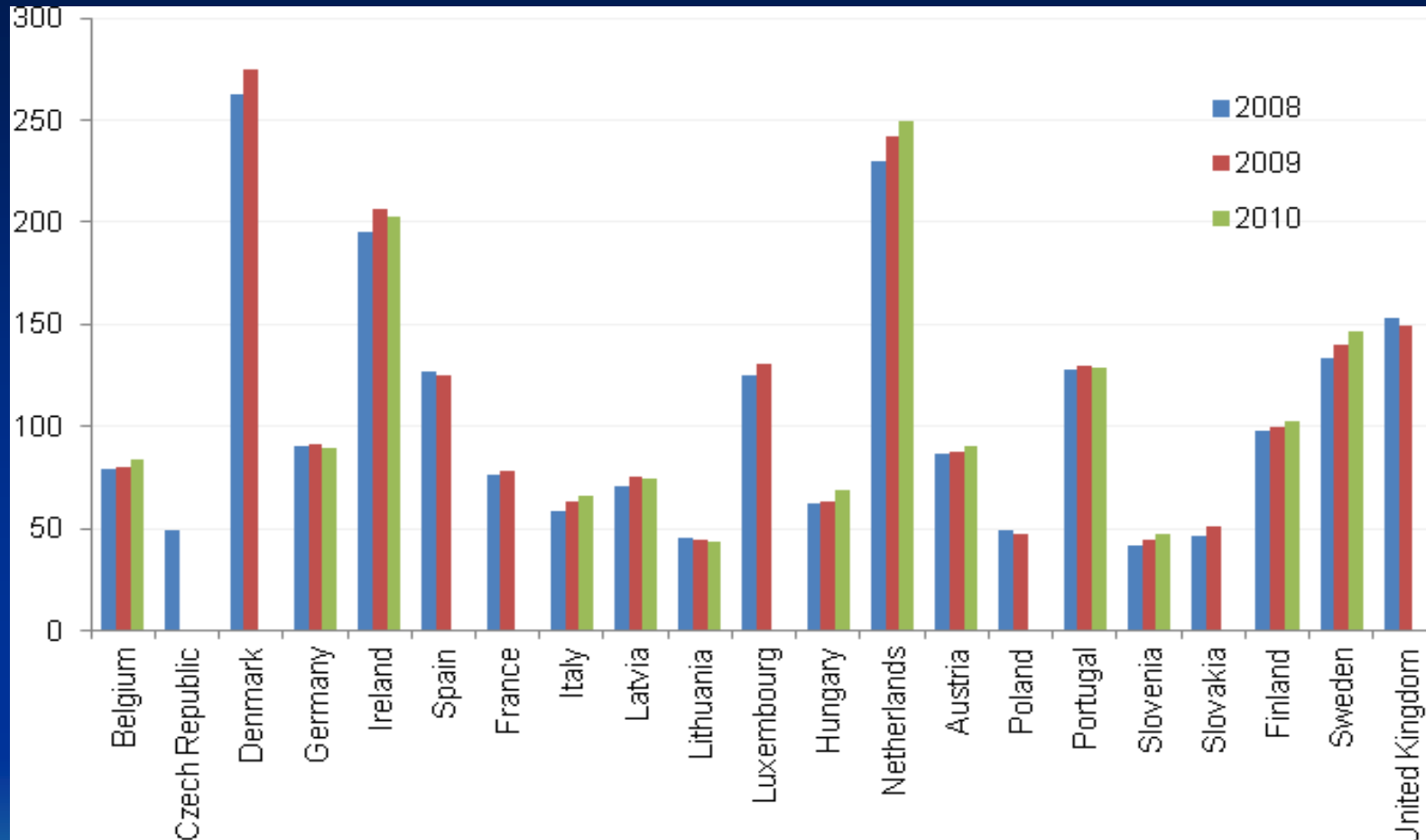

Source: EUROSTAT

Fiscal consolidation requirements

Source: OECD, Government at a Glance, 2011

Gross debt-to-income ratio of households [%]

Source: EUROSTAT

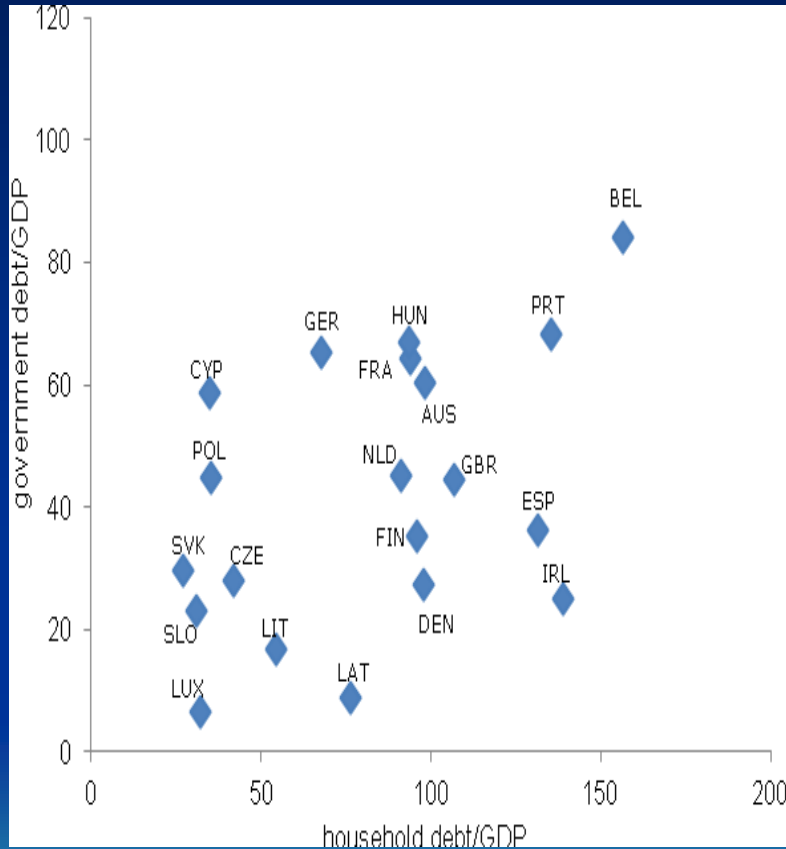# Gross debt-to-income ratio of households, growth debt rate 2008-2010 [%]

Country	Growth rate
Slovenia	112,5
Italy	112,2
Slovakia	110,1
Hungary	109,9
Sweden	109,9

Source: EUROSTAT and own calculation

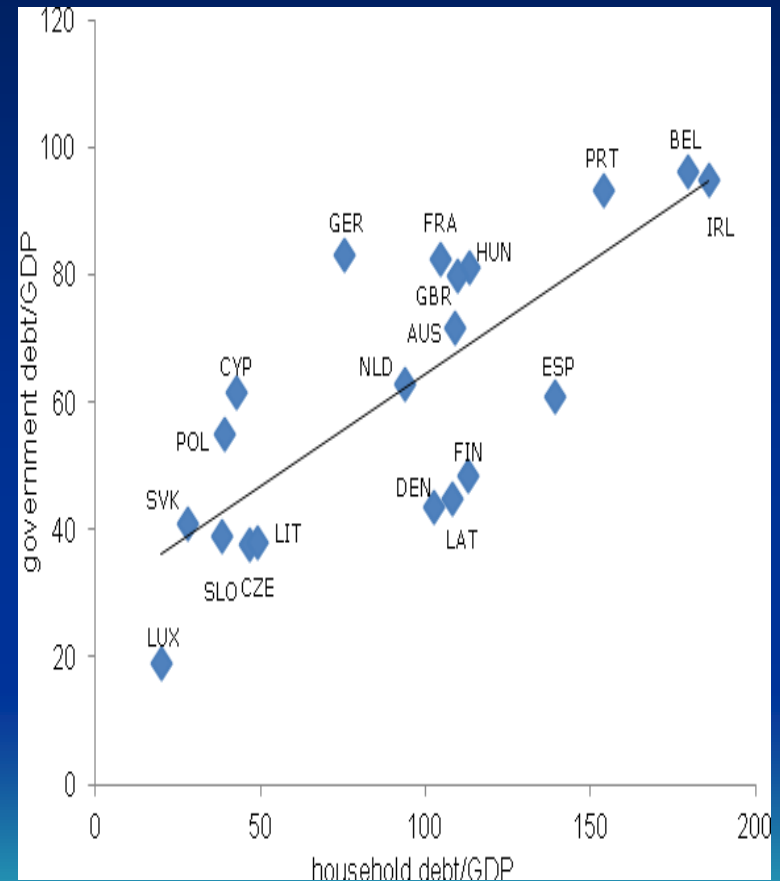# Relation between government debt and household debt (%GDP) in chosen EU countries

Source: ECB, own calculation

Govermenent debt = 29,127 + 0,352*household debt,
       (7,26)   (0,07)

Strength of dependancy R^2 = 59 % shows middle dependency

F-test (F = 25,55)   and   Durbin-Watson statistics (DW = 1,74)

Confirm that model is fine

This relationship means that in 2010 increasion of HD about 1% caused increasion of GD about 0,352 percentage point.
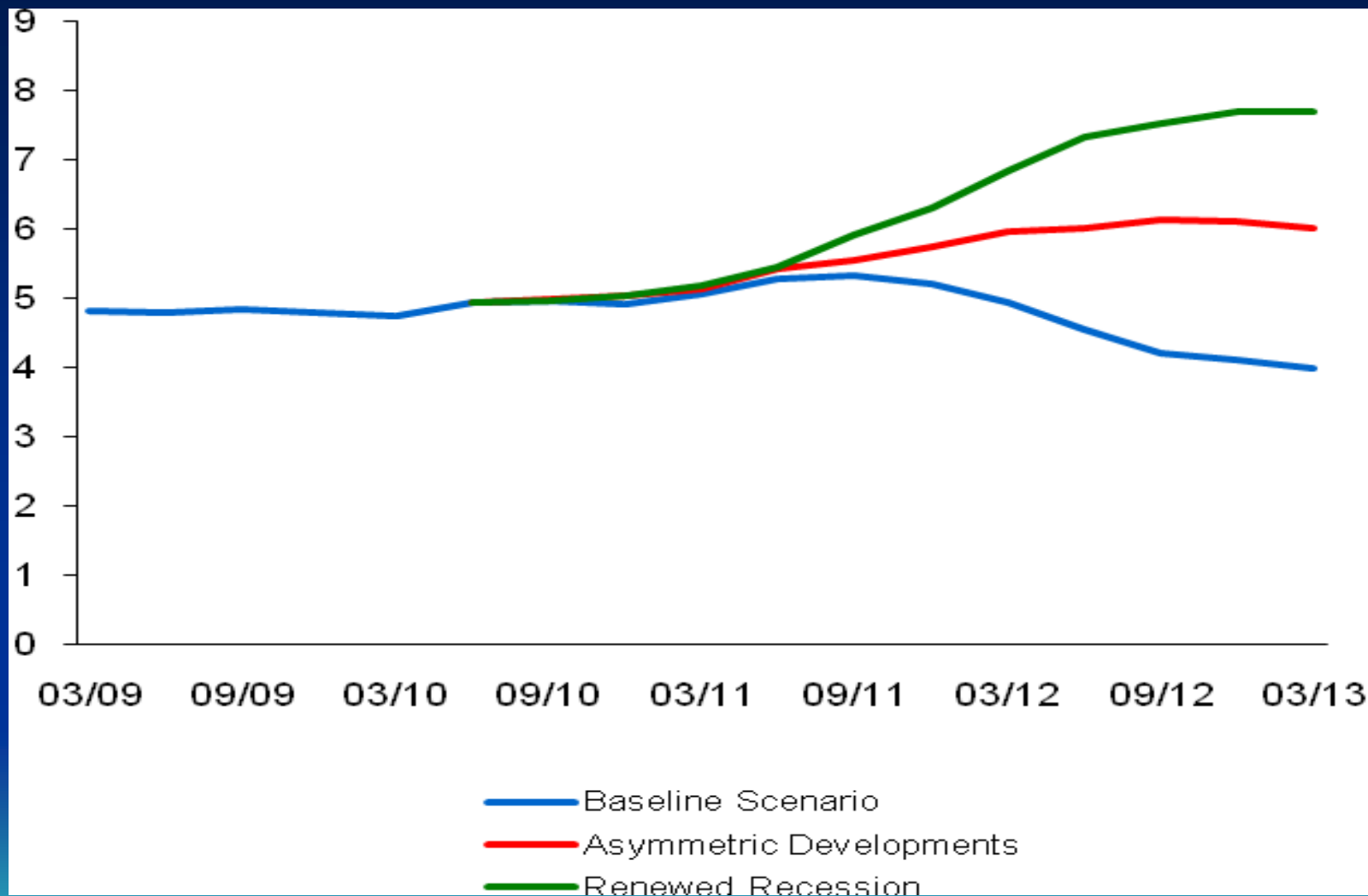
Shares of insolvent households in total number of indebted households devided by income category – simulation results

Net income in thousands CZK per 1 member of household

| 0-103 | 104-127 | 128-150 | 151-200 | 201-∞ |
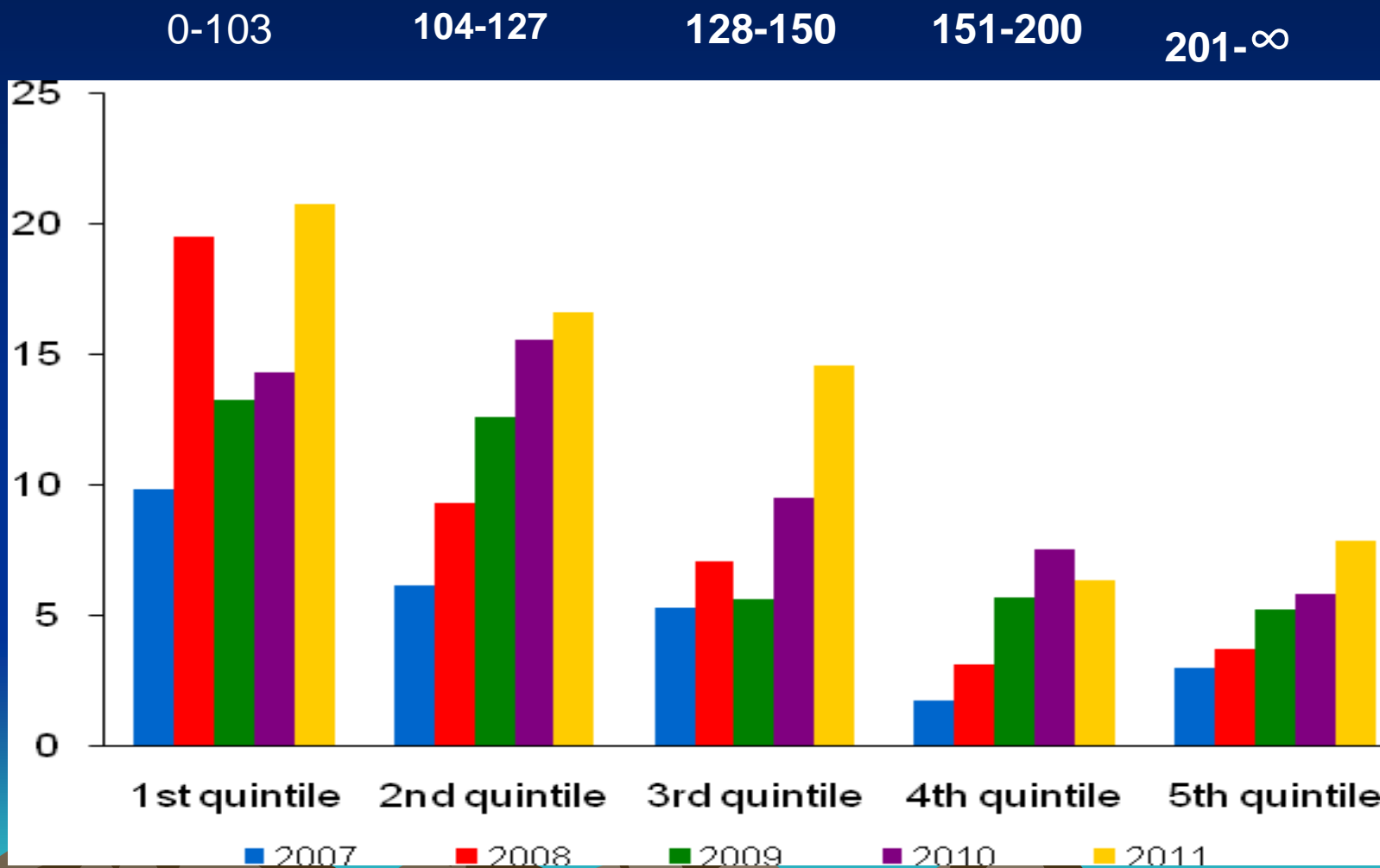
Source: CZSO Household Budget Survey, CNB calculation

12-month default rate on bank loans to households

Conclusion

In 2013 we may expect the household default rate to be at 8 to 10%.

The segment of consumer´s loans will be affected more the segment of mortgages.

This process will affect the financial health of the banking sector and can caused **a third wave of financial turmoil**.