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# Household debt burden and financial vulnerability in Luxembourg

In: *Data needs and Statistics compilation for macroprudential analysis*

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## Abstract

We construct debt burden indicators at the level of individual households and calculate the share of households that are financially vulnerable using Luxembourg survey data collected in 2010 and 2014. The share of households that were indebted declined from 58.3% in 2010 to 54.6% in 2014, but the median level of debt (among indebted households) increased by 22% to reach € 89,800. This suggests that indebted households in 2014 carried a heavier burden than indebted households in 2010. However, among several debt burden indicators considered, only the debt-to-income ratio and the loan-to-value ratio of the outstanding stock registered a statistically significant increase. The median debt service-to-income ratio actually declined, mainly reflecting lower costs on non-mortgage debt. Using conventional thresholds to identify financially vulnerable households, we find that their share in the population of indebted households increased, although the change was only statistically significant when measured by the debt-to-income ratio. The different indicators of debt burden and financial vulnerability are highly correlated with several socio-economic characteristics, including age, gross income and net wealth. In particular, low income households have lower leverage and disadvantaged socio-economic groups (in terms of education, employment status and homeownership status) tend to be less financially vulnerable. However, after controlling for other factors, low income or low wealth increase the probability of being identified as vulnerable.
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## Suggested Citation

Gaston Giordana & Michael Ziegelmeyer, 2017. "**Household debt burden and financial vulnerability in Luxembourg**," IFC Bulletins chapters, in: Bank for International Settlements (ed.), Data needs and Statistics compilation for macroprudential analysis, volume 46, Bank for International Settlements.

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