PRESS RELEASE

CMF presents an in-depth look at the indebtedness of individuals in Chile

- *The tenth version of the CMF Indebtedness Report shows that the median bank debt of individuals reached CLP 2.2 million. 20 percent of people have a financial burden exceeding half of their monthly income.*

January 10, 2024 — The Financial Market Commission (CMF) released today its **2023 Indebtedness Report**. The tenth version of the study aims to provide an in-depth look at individual indebtedness in Chile. It considers data periodically submitted by institutions supervised by the Commission corresponding to individuals with consumer and housing obligations.

The Report's analysis focuses on bank and non-bank debtors and includes an indebtedness review of individuals who have obligations with non-banking card issuers, savings and credit cooperatives, and mutual companies supervised by the CMF. Its methodology examines three dimensions of indebtedness:

- **Debt Level:** Money loans granted by financial institutions to natural persons.
- **Financial Burden:** Percentage of monthly income allocated to pay financial obligations.
- **Leverage:** Number of monthly incomes debtors would need to allocate to fully pay their financial obligations.

The median distribution of each variable is used as a representative indicator of results.

Key Results

The 2022 Indebtedness Report has an estimated coverage equivalent to 86 percent of household obligations in Chile and shows that the representative debt level of bank debtors defined by a median distribution is CLP 2.2 million as of June 2023. Meanwhile, the financial burden and leverage indicators were 16.1 percent and 2.8 times income, respectively.

Representative Debt

	2023	2022	2021	2020	2019
Debt in CLP	2,229,930	2,284,432	2,221,241	2,754,134	3,199,090
Financial Burden (%)	16.1	17	15,6	17,4	21,9
Leverage Index	2.8	3	3	3.7	4.4

Increases in interest rates, which discouraged the taking out of new loans, plus higher real wages because of lower inflation and a higher minimum wage, pushed down indebtedness indicators.

Debt Levels

Per the 2023 Indebtedness Report, the segment between 40 and 45 years of age has the highest debt level at CLP 6.3 million, showing a high correlation with home purchase decisions. Additionally, representative debt grows on par with income: **individuals with salaries over CLP 1.2 million represent 73.3 percent of total debt despite being only 30.4 percent of debtors.**

97.2 percent of debtors in the Report's sample has some type of consumer debt. 47.6 percent of this total has banking credit card obligations; 9.3 in non-banking credit cards; and 64.8 percent in cards issued by support companies of banking activities. **By gender, 49.3 percent of males and 46.8 percent of females are debtors (*), but women's debt is virtually half of men's at CLP 1.7 million versus 3.3 million.**

High Financial Burden

As of June 2023, 1 out of 5 debtors shows a high financial burden, meaning they use over half of their income to settle financial obligations. This figure, however, is lower than the one recorded last year. On the other hand, 1 out of 4 of debtors has a financial burden exceeding 40 percent of their income. Accordingly, 382,000 bank debtors have arrears or unpaid obligations of one or more days, which represents 7.1 percent of all debtors.

Challenges

Monitoring individual indebtedness is especially relevant for financial regulators and supervisors. **A scenario of economic adjustment, high inflation and a weakened labor market could affect household payment behavior.** While more and better access to credit allows individuals to absorb temporary mismatches between income and expenses and increase their well-being, high debt levels can affect their capacity to meet financial commitments and increase their vulnerability to shocks, negatively impacting both individuals and the stability of the financial system.

Therefore, the 2023 Indebtedness Report stresses the importance of **having a Consolidated Debt Registry to achieve more precise measurements of individual indebtedness.** This would allow for more consistent measurements of household debt level distributions and be a valuable tool for loan agents when evaluating their clients, contributing to healthier financial inclusion and development.

(*) Fraction of total debtors whose registered sex is known.

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