The Banco de España maintains the countercyclical capital buffer at 0%

The Banco de España has decided to maintain at 0% the countercyclical capital buffer (CCB) applicable to the credit exposures in Spain in the fourth quarter of 2017. This macroprudential policy measure has been adopted under the powers conferred upon the Banco de España by Law 10/2014 on the regulation, supervision and solvency of credit institutions, and by Royal Decree 84/2015 and Banco de España Circular 2/2016 implementing that law.

The CCB is a macroprudential instrument designed to strengthen bank solvency and smooth the credit cycle by requiring institutions to build up capital buffers in expansionary periods which can subsequently be used during crises.

Analysis of the indicators that warn on the emergence of systemic risk associated with excessive credit growth currently advises against setting the CCB above 0%. On the information available as at March 2017, the credit-GDP gap was -59.6 pp (indicator 1 in Table 1), far from the level of 2 pp set by the Banco de España as a reference for possible activation of the buffer under the guidelines laid down by the Basel Committee on Banking Supervision; accordingly, the CCB will stand at 0% for the fourth quarter of 2017.

In setting the CCB percentage, other potentially relevant quantitative indicators and qualitative information were taken into account. The other indicators considered (indicators 2-6 in Table 1), along with all the information analysed, continue to provide mutually consistent and homogeneous signals that support the decision not to activate the CCB at this time.

Table 1. Credit-GDP gap and complementary core indicators

	Latest value (March 2017)	Previous quarter	Average since 1970	Minimum since 1970	Maximum since 1970	Standard deviation since 1970	Average 1999-2008 [a]	Minimum since 1999	Maximum since 1999
1) Credit-to-GDP gap [b]	-59.6	-61.0	0.1	-60.9	45.4	22.3	30.7	-60.9	45.4
2) Credit-to-GDP ratio	164.6	165.2	118.4	73.4	217.8	48.4	149.0	91.5	217.8
3) Credit intensity [c]	-0.4	-2.5	10.4	-17.8	35.8	10.1	21.6	-17.8	35.8
4) Real estate sector prices [d]	[-14 -7.8]	[-15.4 -10.2]	[-5.9 -2.9]	[-43 -33.1]	[22.6 39.8]	[13.4 20.9]	[0.2 13.9]	[-43 -33.1]	[21.5 39.8]
5) Non-financial private sector indebtedness [e]	16.2	16.2	18.3	12.0	24.4	2.9	17.7	12.5	24.4
6) External imbalances [f]	1.7	2.0	-2.2	-10.5	3.2	3.0	-6.1	-10.5	2.3

Source: Banco de España.

Notes. The indicators are expressed as percentages (%), with the exception of the credit-GDP gap, which is expressed in percentage points (pp). Some figures may differ slightly from those published in previous press releases owing to the updating of data (flash estimates) published by INE (the National Statistics Institute).

(a) 1999 was the year Spain joined the euro area (introduction of the euro); 2008 was the last year before the start of the recent systemic banking crisis in Spain.

(b) The credit-GDP gap is calculated as the deviation of the credit-to-GDP ratio from its long-term trend, using a one-tailed Hodrick-Prescott filter (smoothing parameter equal to 400,000).

(c) The credit intensity indicator is calculated as the annual change in credit to the non-financial private sector divided by cumulative GDP of the past four quarters.

(d) The ranges in each column show minimum and maximum values of a set of indicators of price changes in the real estate sector relative to their long-term trends, some obtained using a one-tailed Hodrick-Prescott filter (smoothing parameter equal to 400,000 in all cases) and others using econometric models

(e) Use is made of the debt service ratio in the non-financial private sector, calculated according to the specification in Drehmann M. and M. Juselius (2012) "Do debt service costs affect macroeconomic and financial stability?", BIS Quarterly Review, September.

(f) The indicator of external imbalances is calculated as the current account balance divided by GDP.