



PRESS RELEASE

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

In view of the moderate trend in the significant indicators, consistent with the absence of systemic vulnerabilities in the Spanish economy, the Banco de España has decided to hold the countercyclical capital buffer (CCyB) rate applicable to banks for their credit exposures in Spain at 0% in the fourth quarter of 2023.¹

The CCyB is a macroprudential instrument designed to bolster the banking system's resilience via the accumulation of capital during economic upswings – which is when systemic risks tend to build up – for its subsequent use when risks that might affect financial stability materialise.

The Banco de España regularly monitors the financial cycle by analysing a variety of indicators. One of the most important is the credit-to-GDP gap, which measures the deviation of the private non-financial sector credit-to-GDP ratio from its trend level. The latest available data show that this indicator remains in negative territory and on a downward path, thus moving away from the warning threshold. This behaviour is due to both the growth in economic activity and the contraction in credit that started at end-2022. This decline is expected to continue over the coming quarters, although the current environment remains subject to a high degree of uncertainty, owing to factors such as inflationary pressures and the monetary policy tightening to address them.

The Banco de España also monitors a wide range of **complementary macro-financial indicators**, which, overall, do not indicate that systemic risks are building up. Also, over the coming quarters the balance of risks to economic activity seems to be oriented to the downside. This also supports holding the CCyB at 0% to stave off potential adverse pro-cyclical effects. Should these risks materialise, a moderation of credit brought about by activating the CCyB would not help reduce the level of systemic risk and could also further weaken GDP growth.

As regards the other indicators analysed, credit intensity (the ratio of the annual change in lending to GDP) stands at negative levels, while the debt service ratio (the ratio of loan principal and interest payments to households' and firms' disposable income) is at moderate levels, and they continue to trend downwards, despite the rise in interest rates. Lastly, the current account of the Spanish economy remains in surplus.

¹ This quarterly macroprudential policy decision is adopted under the powers conferred upon the Banco de España, in transposition of Directive 2013/36/EU, by Law 10/2014 on the regulation, supervision and solvency of credit institutions and Royal Decree 84/2015, and implemented by Banco de España Circular 2/2016.

The Spanish real estate market

House prices grew 3.6% year-on-year in 2023 Q2, ending the gradual easing in house prices that started a year ago. Although fresh information will be needed to check whether this is a temporary situation, this behaviour warrants closely monitoring how it evolves. As regards the indicators of real estate market price imbalances, although some signs of overvaluation remain, it is considered that they are contained and lower than in other European countries that have activated macroprudential measures.

The signs of correction are more evident in activity indicators, regarding both real estate and lending transactions. House purchases decreased by 6.9% in 2023 Q2 in year-on-year terms, a significantly sharper decline than the 2.1% fall recorded in Q1. However, they remain above their average pre-pandemic level. Likewise, new mortgage loans continued to lose momentum in 2023. In particular, in the second quarter of 2023 the flow of new credit for house purchase decreased by 26.3%, compared with the same quarter of 2022. For its part, total outstanding mortgage credit also declined, albeit more moderately (by 2.6% year-on-year in 2023 Q2), owing to the above-mentioned decline in the flow of new lending and to the high rate of repayments. In tandem, lending for construction and real estate development continued to contract (-4% year-on-year in 2023 Q2).

Lastly, some tightening has been observed in credit standards since [the last CCyB review](#). Specifically, a slight decrease is observed in the loan-to-value ratio. Interest rates on new mortgages continued to rise in 2023 H1. Also, in contrast to their behaviour up to end-2022, the spreads between these rates and the reference rates have also started to widen on average during 2023.

All of the foregoing warrants holding the CCyB rate at 0%. Nonetheless, the Banco de España will continue to monitor the situation closely, paying particular attention to developments in the real estate sector.

In any event, banks should use the higher earnings generated in the most recent period to bolster their resilience and continue performing their primary function, which is to lend to households and firms with viable projects, even if the significant risks identified in the current uncertain environment materialise.

In accordance with the procedure set out in Article 5 of Regulation (EU) No 1024/2013, this decision of the Banco de España on the CCyB has been approved after consultation with the ECB. The proposed decision was also communicated to the Spanish macroprudential authority (AMCESFI), as stipulated in Article 16 of Royal Decree 102/2019 and in the sole additional provision of Royal Decree-Law 22/2018.²

The Banco de España's previous press releases, and other relevant information for determining CCyB rates, are available [here](#).

² AMCESFI has not issued an opinion on this proposed decision since the new rate does not entail changes from the CCyB rate prevailing in the previous quarter.