



## PRESS RELEASE

Madrid, 29 September 2016

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

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

During the recent crisis, losses in the banking sector were seen to be exacerbated by excessive growth in credit in the preceding period. That evidences the importance and usefulness of banks setting up capital buffers during expansionary periods that can be released during crises, thereby reinforcing bank solvency and smoothing the credit cycle.

Analysis of the indicators that warn on the emergence of systemic risk associated with excessive credit growth currently advises against setting the CCyB above 0%. On the information available as at March 2016, the credit-GDP gap was close to -61 pp (indicator 1 in Table 1), though still far from the level of 2 pp set as a reference by the Banco de España for the activation of the buffer, in step with the guidelines laid down by the Basel Committee on Banking Supervision. The other core 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 CCyB at this time.

**Table 1. Credit-GDP gap and complementary core indicators (%)\***

	Latest value (March 2016)	Previous quarter	Average since 1970	Minimum since 1970	Maximum since 1970	Standard deviation since 1970	Average 1999-2008 <sup>(a)</sup>	Minimum since 1999	Maximum since 1999
1) Credit-to-GDP gap <sup>(b)</sup>	-61.4	-61.0	1.4	-61.4	45.4	20.8	30.7	-61.4	45.4
2) Credit-to-GDP ratio	169.7	171.8	117.3	73.4	217.7	48.3	148.9	91.5	217.7
3) Credit intensity <sup>(c)</sup>	-7.7	-5.6	10.6	-17.1	35.8	10.0	21.6	-17.1	35.8
4) Real estate sector prices <sup>(d)</sup>	[-18.7 -14]	[-22.5 -16.2]	[-5.7 -2.8]	[-43 -31.7]	[22.6 27.8]	[13.3 18.1]	[5.8 13.9]	[-43 -31.7]	[20.6 26.5]
5) Non-financial private sector indebtedness <sup>(e)</sup>	16.6	16.8	18.4	12.0	24.4	2.9	17.7	12.5	24.4
6) External imbalances <sup>(f)</sup>	1.6	2.0	-2.3	-10.3	3.2	3.0	-6.1	-10.3	2.2

Source: Banco de España

#### Notes

\* These values could slightly differ from those published in previous press releases. This is due to the updating of data (flash estimates) published by INE.

(a) 1999 was the year Spain joined the euro area; 2008 was the year preceding the onset 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). It is expressed in percentage points.

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

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

(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.

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For further information.: Phone. +34 91 338 5044 / 6097 / 5318 Fax +34 91 338 5203 www.bde.es Email: comunicacion@bde.es