



Communication Department

PRESS RELEASE

Madrid, 13 December 2023

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

In view of the performance of the relevant indicators, consistent with no build-up of systemic vulnerabilities in the Spanish financial system, 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 first quarter of 2024.¹

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 uses a range of indicators to regularly monitor the financial cycle. One of the key indicators 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 is due both to the growth in economic activity and the contraction in credit that began in late 2022. The indicator is expected to continue to decline over the coming quarters. Nevertheless, the macro-financial environment is subject to high uncertainty, linked in particular to the inflationary pressures and the monetary policy tightening adopted to address them, and also to the rising geopolitical tensions stemming from the conflicts in Ukraine and the Middle East.

The Banco de España also monitors a wide range of **other macro-financial indicators** which, overall, also show no signs of a build-up of systemic vulnerabilities. Moreover, in the coming quarters the balance of risks to economic activity seems to be on the downside. This also supports holding the CCyB rate at 0%, to stave off potential adverse pro-cyclical effects. Should these risks materialise, the moderation in lending that activating the CCyB would bring about would not help reduce the level of systemic risk, and could further weaken GDP growth.

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.

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

The Spanish real estate market

House prices in Spain rose by 4.5% year-on-year in 2023 Q3, compared with an increase of 3.6% in the previous quarter, owing to the sharp rise in the price of new housing (11%, compared with 7.7% in 2023 Q2) and the growth in the price of existing housing which has steadied. This fresh increase appears to confirm that the gradual easing in house prices observed between early 2022 and 2023 Q1 has now ended. Owing to the strength of house prices, indicators of real estate market price imbalances continue to show some signs of overvaluation, although these are limited and smaller than those observed in other European countries where macroprudential measures have had to be activated. Nevertheless, the situation continues to warrant close monitoring of how these indicators develop and careful assessment of all new information as it emerges.

The signs of correction in activity indicators continue to intensify, both in the case of real estate transactions and lending. The pace of contraction in house purchases – which fell by 16.3% year-on-year – accelerated in 2023 Q3, although they remain above their average pre-pandemic level. Likewise, new mortgage loans have continued to lose momentum. Specifically, in 2023 Q3, the flow of new credit for house purchase decreased by 24.8% compared with a year earlier. Total outstanding mortgage credit also declined, albeit more moderately (by 4% year-on-year in 2023 Q3), owing to the above-mentioned decrease in the flow of new lending and the high rate of repayments. In tandem, lending for construction and real estate development continued to slow (-8.2% year-on-year in the third quarter).

Lastly, a certain degree of tightening in some credit standards for new lending has been observed since [the last CCyB review](#). Specifically, there has been a slight decrease in the loan-to-value ratio. The average loan-to-income ratio for new mortgages remains steady, while the loan service-to-income ratio for new mortgages has risen, as a consequence of the higher interest rates. However, the proportion of new loans in which this ratio is over 30%, which is deemed a prudent level, remains low.

All of the foregoing warrants holding the CCyB rate at 0%. Nonetheless, the Banco de España continues 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 in this manner 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 Spanish

macroprudential authority (AMCESFI) has also been notified of the proposed decision, 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 it entails no change from the CCyB rate applicable in the previous quarter.

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For further information: Tel. +34 91 338 5044 / 6097 / 5318 / 8839 / 6175 / 4397 / 5936 | www.bde.es/ Email: comunicacion@bde.es