



## PRESS RELEASE

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### **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 (CCB) applicable to credit exposures in Spain at 0 % in the third 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 exacerbated by the excessive growth of credit in the preceding period. That evidences the importance and usefulness of banks setting up capital buffers during expansionary periods that can subsequently 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 CCB above 0 %. On the information available as at December 2015, the credit-GDP gap was close to -61 pp (indicator 1 in Table 1), still far from the level of 2 pp set as a reference by the Banco de España for the possible activation of the buffer in accordance with the guidelines laid down by the Basel Committee on Banking Supervision. The other indicators considered (indicators 2-6 in Table 1), along with all the additional 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 (December 2015)	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>	-61.0	-58.8	1.8	-61.0	45.4	20.4	30.7	-61.0	45.4
2) Credit-to-GDP ratio	171.8	175.6	117.0	73.4	217.9	48.3	149.0	91.6	217.9
3) Credit intensity <sup>(c)</sup>	-5.6	-8.0	10.7	-17.1	35.8	10.0	21.6	-17.1	35.8
4) Real estate sector prices <sup>(d)</sup>	[-22.5 -16.2]	[-25.4 -18]	[-5.6 -2.6]	[-43 -31.9]	[22.5 27.8]	[13.2 18.1]	[5.9 13.9]	[-43 -31.9]	[20.5 26.4]
5) Non-financial private sector indebtedness <sup>(e)</sup>	16.8	17.2	18.4	12.0	24.4	2.9	17.7	12.5	24.4
6) External imbalances <sup>(f)</sup>	2.0	1.4	-2.3	-10.3	3.2	3.0	-6.1	-10.3	2.2

Source: Banco de España

#### Notes

(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).

(c) The credit intensity indicator is calculated as the annual difference in credit to the non-financial private sector divided by the 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 relative to their long-term trends, obtained using a one-sided 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.

\* These values slightly differ from those published in previous press releases. This is due to the updating of the GDP data (flash estimates) published by INE and the effects of the statistical filter used to calculate the long-term trends (one-sided Hodrick-Prescott filter).

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