



Communication Department

## PRESS RELEASE

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

**In light of the current macro-financial environment and lending and real estate market developments, 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 second quarter of 2023.<sup>1</sup>**

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 data available show that this indicator has fallen to a level marginally below the warning threshold, now that economic activity has recovered from the sharp fall caused by COVID-19 and that credit growth has moderated after increasing significantly during the pandemic, as a result of the policies launched to mitigate its impact. This decline is expected to continue over the coming quarters, although the current environment remains subject to a high degree of uncertainty, due to factors such as the war in Ukraine, the recent financial market tensions, inflationary pressures and the monetary policy tightening to address them.

The Banco de España also analyses a wide range of **complementary macro-financial indicators**, which, overall, do not indicate that endogenous systemic risks are building up either. Despite the recovery in economic activity, GDP has still not returned to its pre-pandemic levels, although according to the Banco de España's latest macroeconomic projections this will occur in 2023 Q3. These indicators support the case for holding the CCyB rate at 0%.

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<sup>1</sup> 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 further elaborated by Banco de España Circular 2/2016.

Other indicators, such as credit intensity (the ratio of the annual change in lending to GDP) and the debt service ratio (the ratio of loan principal and interest payments to GDP) are at moderate levels and the current account of the Spanish economy remains in surplus.

### **The Spanish real estate market**

In the real estate market, the supply of housing is proving insufficient to meet the demand and this led to notable price increases in 2022. However, the latest data show more moderate price growth. In particular, the National Statistics Institute's Housing Price Index recorded a high annual rate of change in 2022 Q4 (5.5%), albeit down from 7.6% in the previous quarter. The models available continue to suggest that residential properties remain somewhat overvalued, although the magnitude of the overvaluation is contained and smaller than in other European countries, which have already activated certain macroprudential tools.

As regards real estate transactions, following their upsurge in the spring, house purchases have been less dynamic since the second half of 2022, but they remain well above their average pre-pandemic level. In step with these developments, new mortgage loans lost momentum in the second half of 2022, although they stand at post-global financial crisis highs. In particular, in the fourth quarter of 2022 the flow of new credit for house purchase decreased by 5.4% compared with the same quarter of 2021. At the same time, total outstanding mortgage credit has fallen slightly (by 0.2% year-on-year in 2022 Q4). In tandem, lending for construction and real estate development continued to contract (-7.9% year-on-year in 2022 Q4).

Finally, since the **last CCyB review** no significant changes have been observed in the credit standards reflected in the loan-to-value and debt-to-income ratios. Furthermore, although the interest rates on new mortgage loans started to rise in 2022 Q3, their spreads against the reference rates continued narrowing in that period, emphasizing a trend observed since before the current monetary policy normalisation process was launched. In this respect, it is important to bear in mind that interest rates on loans should reflect the funding costs incurred and also the risks taken.

Amid elevated uncertainty, it remains necessary for banks to use the higher profits generated in the short term to bolster their resilience so as to be able to continue to finance households and firms with viable projects, even if the significant risks currently detected materialise.

**Overall, this assessment of the indicators warrants holding the CCyB rate at 0%. In any event, the Banco de España will continue to monitor the situation closely, paying particular attention to developments in the real estate sector.**

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.<sup>2</sup>

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

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<sup>2</sup> 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.

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