



Communication Department

## PRESS RELEASE

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### **The Banco de España holds the countercyclical capital buffer rate at 0% in 2024 Q3, ahead of its planned activation as from 2024 Q4**

**This is the last quarterly decision on the countercyclical capital buffer (CCyB) under a framework that only envisages its activation in the event of high cyclical systemic risk.** Specifically, the key indicators under this framework (**complementary macro-financial indicators**) continue to reflect a situation consistent with an intermediate level of cyclical systemic risk, clearly below the high risk alert threshold. **In consequence, the CCyB rate is held at 0% for another quarter.** Under the new framework which the Banco de España plans to adopt as from 2024 Q4, this intermediate level of cyclical systemic risk would advise activating the buffer.

Under the framework in force up to 2024 Q3, the analysis of the financial cycle is based primarily on monitoring the credit-to-GDP gap, which captures the deviation of the ratio of credit to the non-financial private sector to GDP from its trend level. This indicator remains in negative territory and is declining, although the projections suggest an imminent change of direction. Other macro-financial indicators paint a varied picture. The credit intensity indicator (the ratio of the annual change in credit to GDP) remains negative, although it is rising. Meanwhile, the debt service ratio (the ratio of loan principal and interest payments to households' and firms' disposable income) remains at moderate levels, largely because, on average, the deleveraging of the non-financial private sector has offset the increase in interest rates, such that its downward trend has merely eased.

For their part, indicators of house price imbalances remain positive, at somewhat higher than neutral levels but not especially high. However, the latest data released for 2024 Q1 point to stronger house prices that are significantly outpacing inflation. This market will have to be monitored closely.

Overall, the analysis of the financial cycle suggests that cyclical systemic risks currently stand at an intermediate level. Under the framework in force up to 2024 Q3, the existence of high cyclical systemic risk is a necessary condition for activating the CCyB. In consequence, it is considered appropriate to hold the CCyB rate at 0% during 2024 Q3.

On 16 May 2024 the Banco de España embarked on a revision of the framework for setting the CCyB, with the buffer rate to be set at 0.5% as from 2024 Q4 for exposures located in Spain. The key changes under this revision are the use of a broader set of indicators to determine the level of cyclical systemic

risk and the association of a CCyB rate of 1% with a standard (i.e. intermediate) level of cyclical systemic risk, as is currently observed in the financial cycle. Setting the CCyB rate at 0.5% in 2024 Q4, as envisaged, will be the first step in a gradual process to raise the buffer rate to 1% if, as is expected, cyclical systemic risk remains at this level in the coming years.


The Banco de España's previous press releases, and other information of interest on the CCyB, can be found [here](#).

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