



1 April 2016

Countercyclical capital buffer rate announcement

The Central Bank today maintained the countercyclical capital buffer (CCB) rate on Irish exposures at 0 per cent.

In keeping the rate at 0 per cent, the Central Bank noted the following:

- Credit developments in the economy remain subdued as the private non-financial sector continues to deleverage.
 - Credit growth is weak across both the household and non-financial corporate (NFC) sectors and has been lagging behind GDP growth.
 - The outstanding stock of credit, as measured by both the standardised credit-to-GDP ratio and a national specific measure of the same that adjusts for the contribution of multinational non-financial corporations, is below trend.
- Despite some moderation, rates of increase in real estate prices remain robust, especially on the commercial side. Overall, however, new domestic lending for property related purposes by Irish banks remains relatively modest despite recent increases. Developments in this area will continue to be carefully monitored.
- Additional indicators such as those relating to external imbalances and the private-sector debt burden do not currently point to increasing imbalances or vulnerabilities.

Credit Gap indicators

In setting the CCB rate the Central Bank is required to take note of the deviation in the credit-to-GDP ratio from its trend level, a measure referred to as the credit gap. Two measures of the credit gap analysed by the Central Bank show the gap to be negative. The benchmark CCB rate, which is used as a common reference point across Europe, corresponding to a negative credit gap is 0 per cent.

Table 1: Credit Gap and benchmark CCB rate (based on data referring to 2015Q3)

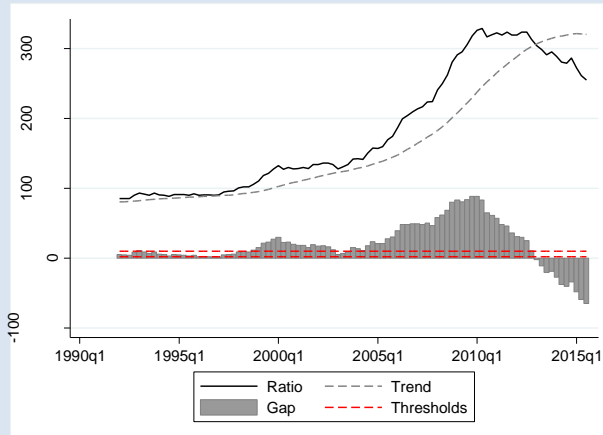
		Standardised Approach	National Specific Approach
<i>A</i>	Latest credit-to-GDP ratio	255 per cent	97 per cent
<i>B</i>	Trend credit-to-GDP ratio	320 per cent	164 per cent
<i>C</i>	Credit Gap (=A-B)	-65 per cent	-67 per cent
	Benchmark CCB rate	0 per cent	0 per cent

Further information

Further information on how the Central Bank sets the CCB rate and the quantitative indicators analysed can be found under the Macro-prudential policy section of our [website](#). A selection of relevant indicators is shown below.

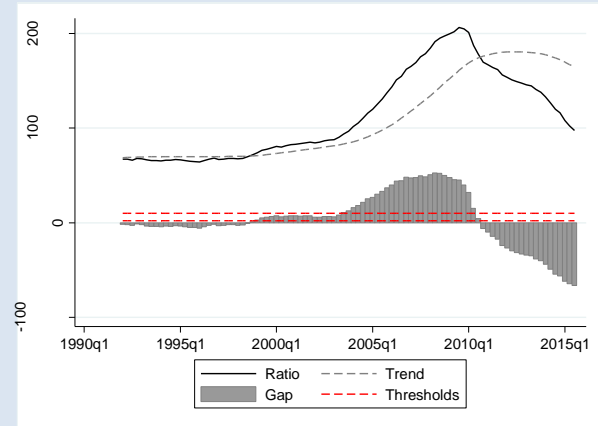
Annex: Quantitative indicators

Credit-to-GDP ratio and gap: Standardised Methodology



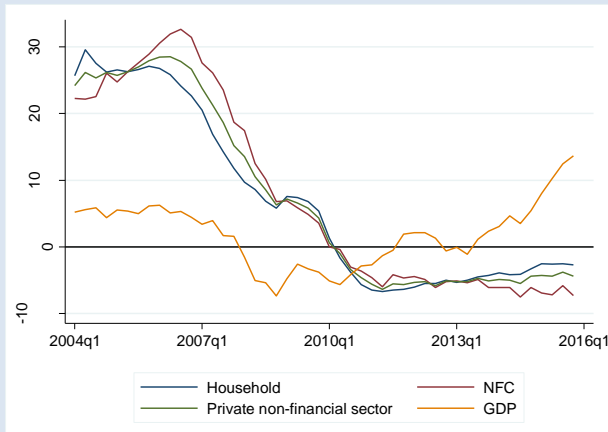
Source: Central Bank of Ireland, CSO, BIS and Central Bank calculations. Last observations 2015Q3.

Credit-to-GDP ratio and gap: National specific approach



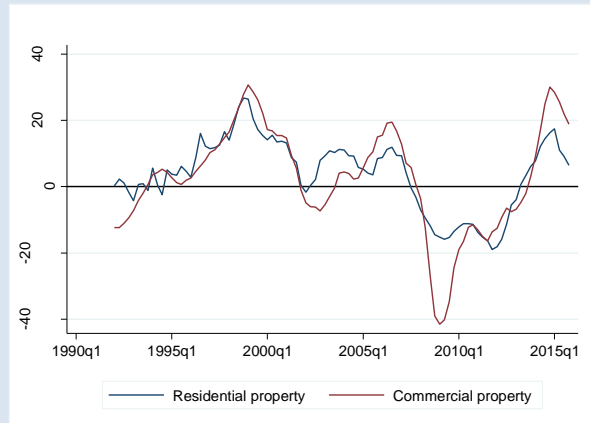
Source: Central Bank of Ireland, CSO, BIS and Central Bank calculations. Last observation 2015Q3.

Year-on-year credit growth in bank lending (Real)



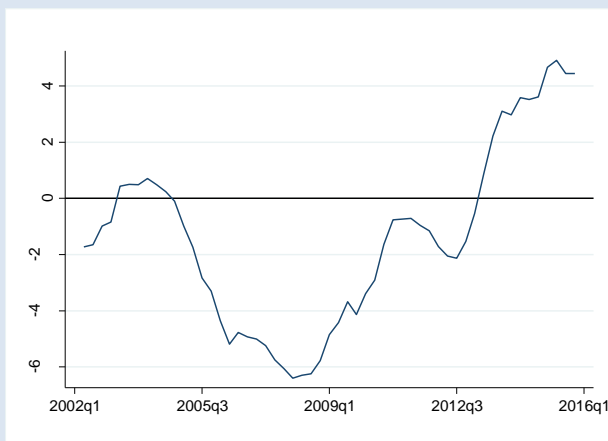
Source: Central Bank of Ireland & CSO. Last observation 2015Q4.

Year-on-year change in real estate prices (Real)



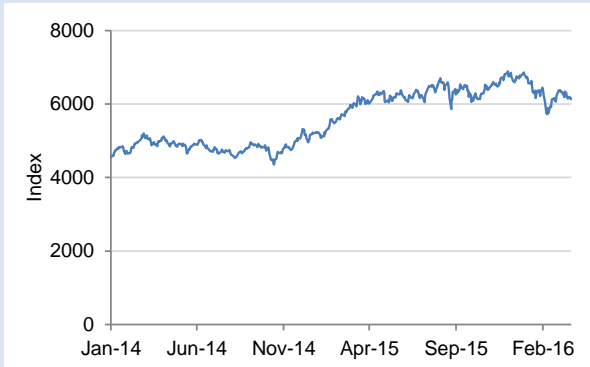
Source: Central Bank of Ireland, IPD & CSO. Last observation 2015Q4.

Current account balance as a % of GDP



Source: CSO and Central Bank calculations. Last observation 2015Q4.

ISEQ Index



Source: Bloomberg. Last observation March 21 2016.