30 July 2025

The Central Bank ("the Bank") is maintaining the countercyclical capital buffer (CCyB) rate on Irish exposures at 1.5 per cent. The Bank's strategy for the instrument considers a CCyB rate of 1.5 per cent to be appropriate when cyclical risk conditions are neither elevated nor subdued.[1] The CCyB rate provides resilience against macro-financial risks including those associated with Ireland being a small, globalised economy.[2]

While macro-financial conditions in the domestic economy have remained positive, the global economic backdrop of elevated uncertainty and trade tensions remains a consistent feature shaping the outlook for the economy. Domestic economic activity indicators remained steady in the first quarter of 2025. The economy continues to operate at full employment with capacity constraints most obvious in the housing market. Aggregate bank credit growth has been on an upward trajectory, strengthening further in recent months. The central outlook for the domestic economy remains relatively favourable out to 2027 but has been dampened further by the effects of higher uncertainty and higher effective tariffs.[3] The outlook remains particularly sensitive to international developments and with substantial risks to the downside. Domestic banks maintain healthy balance sheets, with indicators across capital, liquidity and asset quality pointing to the sector being in a robust position. Profitability remains strong, but is moderating as interest rates fall.

Maintaining resilience is important in the context of the current, uncertain, macro-financial environment and the heightened risks facing the financial system. Future CCyB rate decisions will be based on macro-financial conditions in a manner consistent with the Bank's strategy for the CCyB. The CCyB could be increased above 1.5 per cent were the Bank to deem that cyclical risks reflect emerging imbalances or were elevated. On the other hand, having the CCyB in place provides scope for its release, should it be required in response to a materialisation of risks.

[1] For further information see the Central Bank's framework for macroprudential capital and CCyB addendum.
[2] Financial Stability Review 2025:I included an "In focus" CCyB discussion which included insights from a tailored exercise using the Bank's macroprudential stress testing methodology. While there is no direct mechanical link between the estimated capital depletion from the assessment and the CCyB rate, the exercise provided support to the judgement that a CCyB rate of 1.5 per cent remains appropriate.
[3] See Central Bank Quarterly Bulletin No.2 2025.