# Countercyclical capital buffer rate announcement

## *27 June 2017*

## Announcement of rate

The Central Bank has today announced the countercyclical capital buffer (CCyB) rate on Irish exposures is to be maintained at 0 per cent in 2017Q3. The rate will be effective from July 1st 2017. In keeping the rate at 0 per cent, the Central Bank noted the following:

* Aggregate credit conditions remain subdued. Credit growth to both the household and non-financial corporate sector remains negative and notwithstanding the limitations of credit-gap indicators, these too are indicative of muted credit conditions. The benchmark buffer rate arising from credit gap indicators is 0 per cent. Amidst the weak aggregate credit conditions there are certain signs of a strengthening environment. New lending has been picking-up for some time now, with new property related lending in particular seeing large increases. As a result, pockets of positive credit growth are now evident in consumer credit, mortgages for principal dwellings, fixed-rate mortgage lending and credit to large enterprises.
* The property market - where the rate of increase in prices is somewhat above the long-run average - is the area most suggestive of potential cyclical systemic risks at this time. Residential property prices in particular have been increasing relatively strongly. To the extent that such price increases are not currently reflected in the aggregate credit environment, the CCyB would not appear to offer a targeted measure to address broader property market developments.
* External imbalance indicators and aggregate bank balance sheet ratios do not point to growing vulnerabilities at this time.

### Credit Gap indicators

In setting the CCyB 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. A range of credit gap indicators analysed by the Central Bank show the current gap to be negative. The benchmark CCyB rate is 0 per cent.

**Table 1: Credit Gap and benchmark CCyB rate (based on data referring to 2016Q4)**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Standardised Approach** | **National Specific Approach** |
| *A* | Latest credit-to-GDP ratio | 293 per cent | 70 per cent |
| *B* | Trend credit-to-GDP ratio |  345 per cent | 143 per cent |
| *C* | **Credit Gap** *(=A-B)* | -51 per cent | -73 per cent |
|  |  |  |  |
|  | **Benchmark CCyB rate** | 0 per cent | 0 per cent |

### Further information

For further information see the Macroprudential Policy section of the Central Bank website [here](https://www.centralbank.ie/financial-system/financial-stability/macro-prudential-policy).