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Central Bank of Ireland

Eurosystem

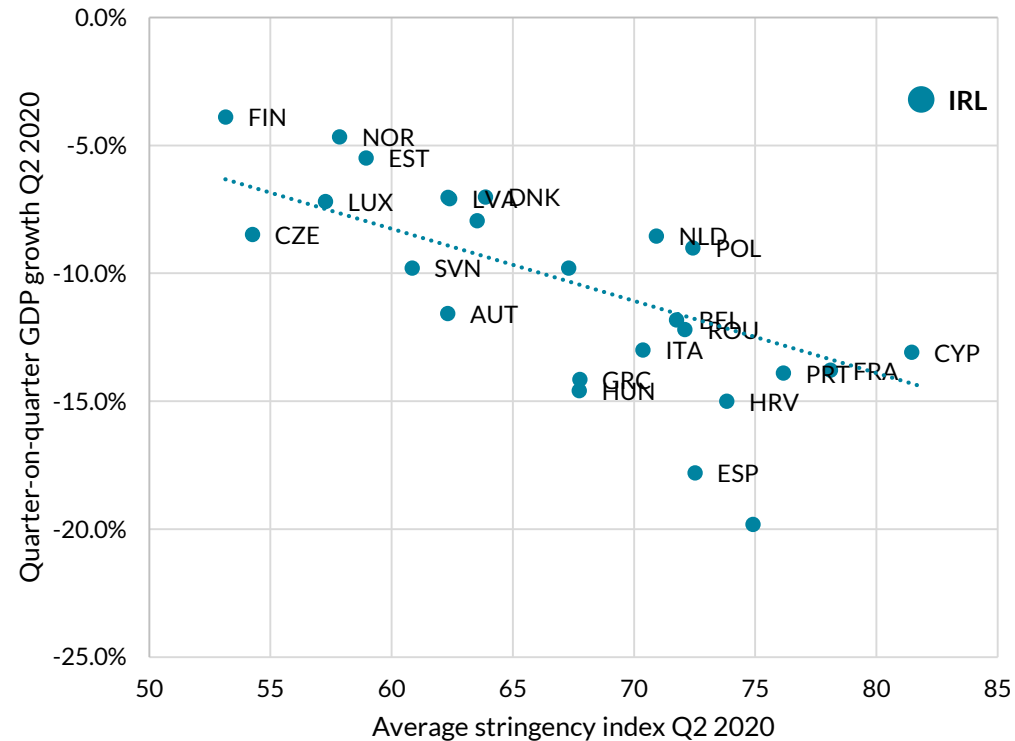
A photograph of a modern, multi-story glass and steel building, likely the Central Bank of Ireland's headquarters, set against a clear blue sky. The building's facade is composed of large glass panels and metallic structural elements.

Macroprudential Policies – Lessons from the Pandemic

Deputy Governor Sharon Donnery
19th February 2021

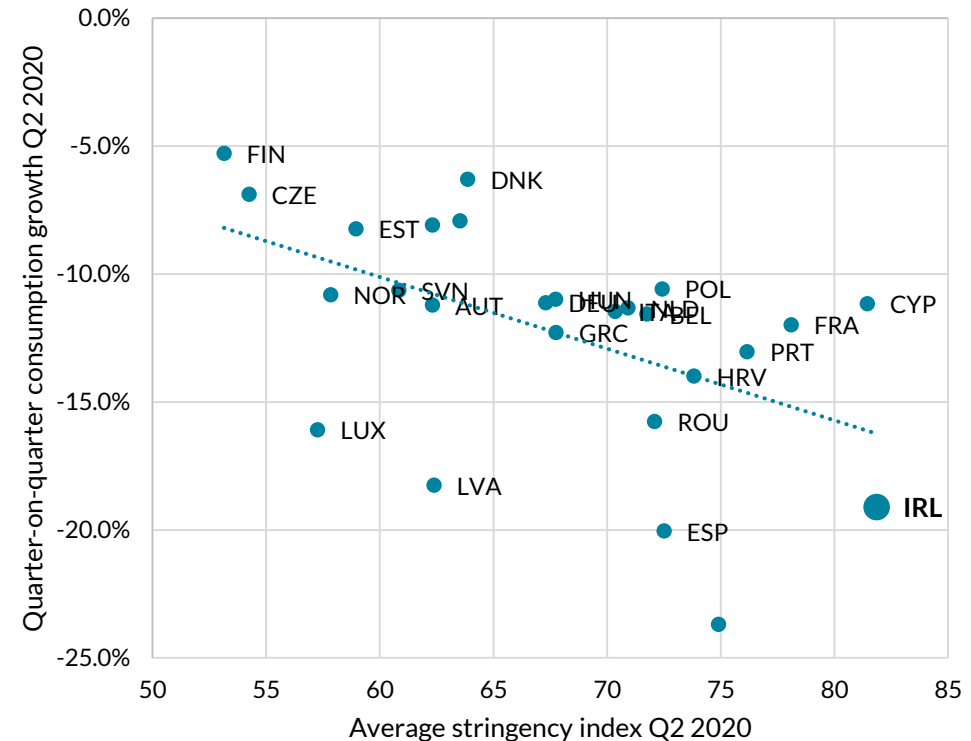
Inverse Correlation between Stringency and Output Growth

GDP



Source: Oxford Blavatnik School of Government Stringency Index

Consumption

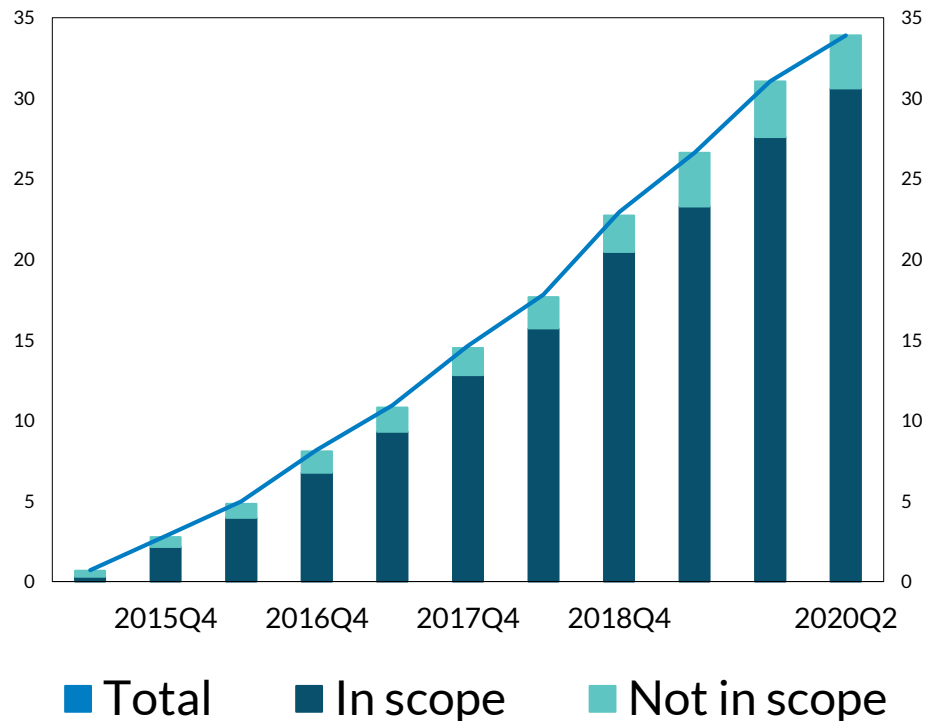


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Mortgage Measures

Share of Irish retail bank mortgage lending issued under the mortgage measures framework



Since their introduction the measures have been incrementally increasing resilience, as lending since their introduction accounts for a greater share of outstanding mortgages

The Mortgage Measures aim to ensure:

- That banks and borrowers are resilient to adverse events
- That house prices and credit do not evolve with damaging pro-cyclicality

Source: Central Bank of Ireland calculations using loan level and monitoring template data

Notes: Mortgages issued under the mortgage measures framework are those mortgage loans approved and drawn down since 9 February 2015.

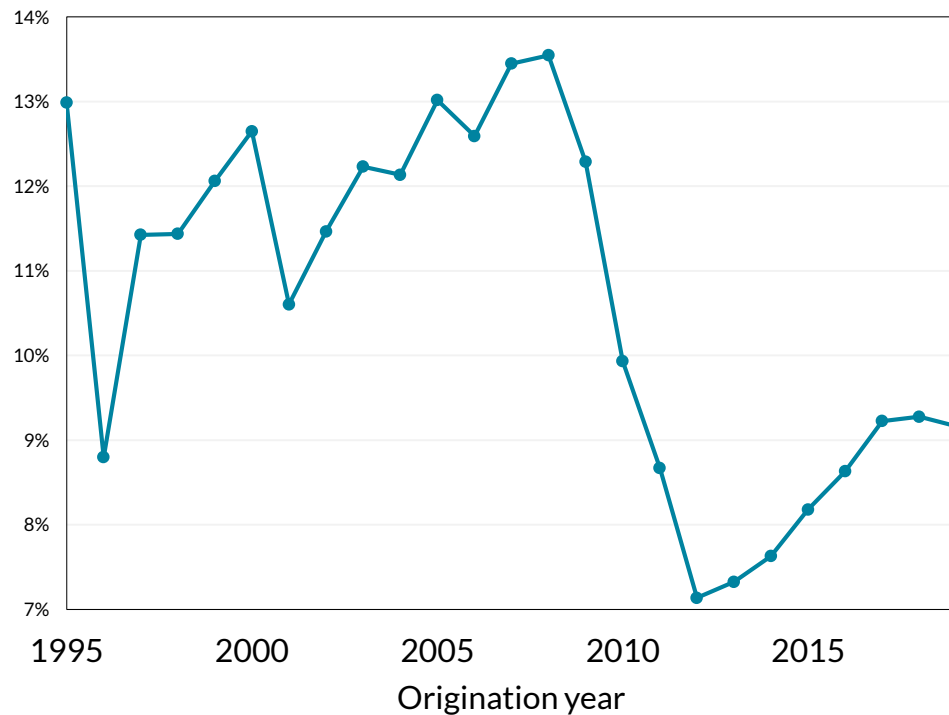


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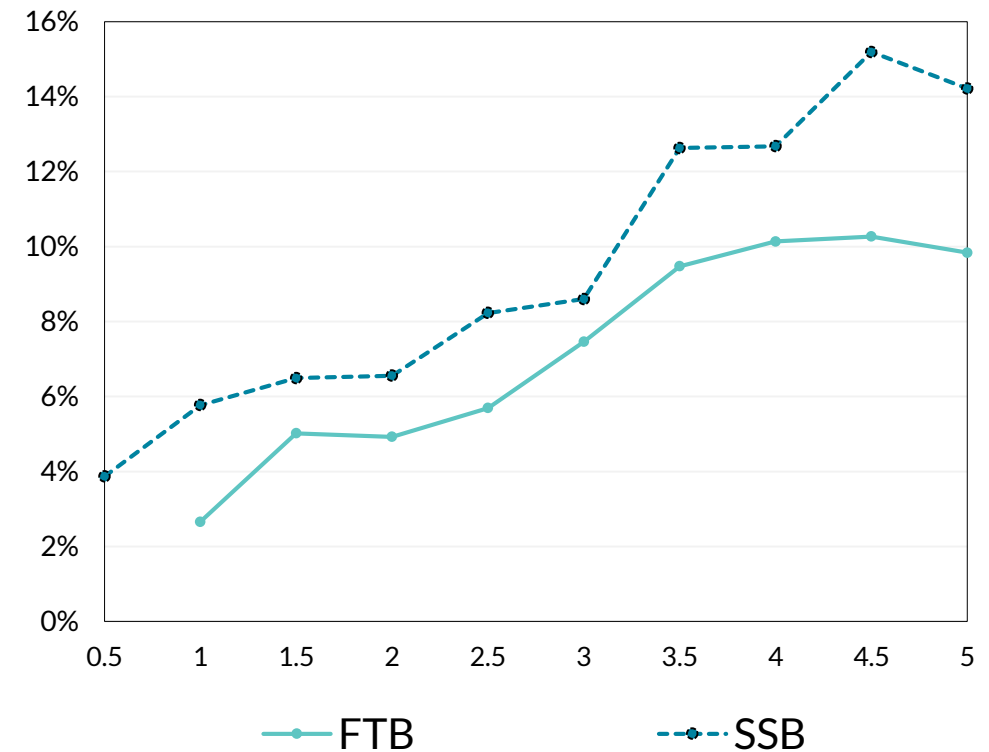
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Payment breaks and mortgage measures

Payment break propensity by year of origination



Payment break propensity by loan to income at origination, 2016-2019 origination



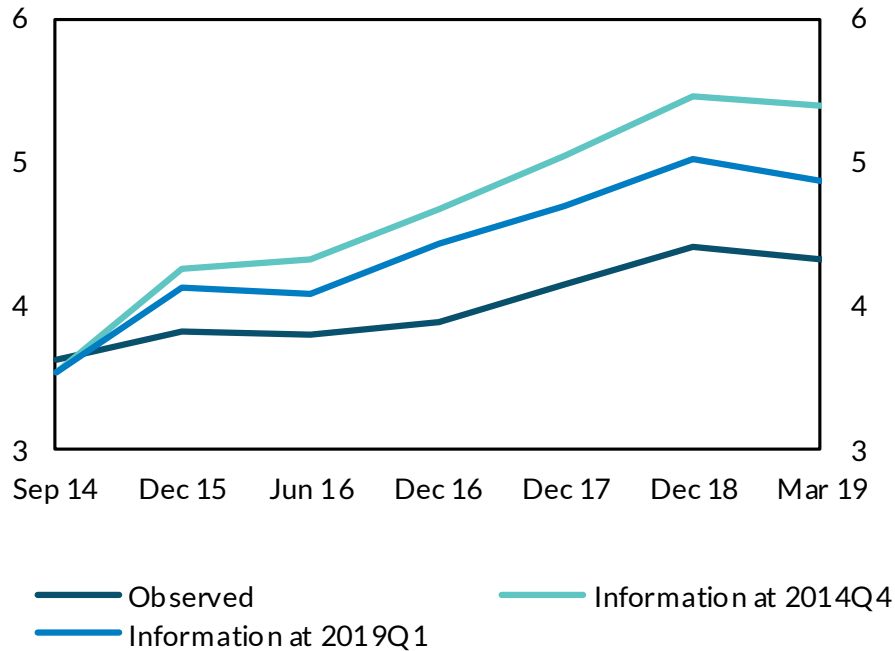
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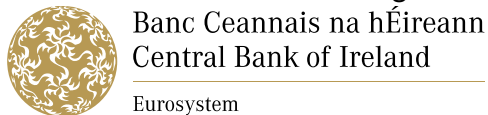
Source: Gaffney, E, & D. Greaney COVID-19 “Payment Breaks on Residential Mortgages”,
Financial Stability Note Vol.2020, No. 5, Central Bank of Ireland

Counter-factual analysis

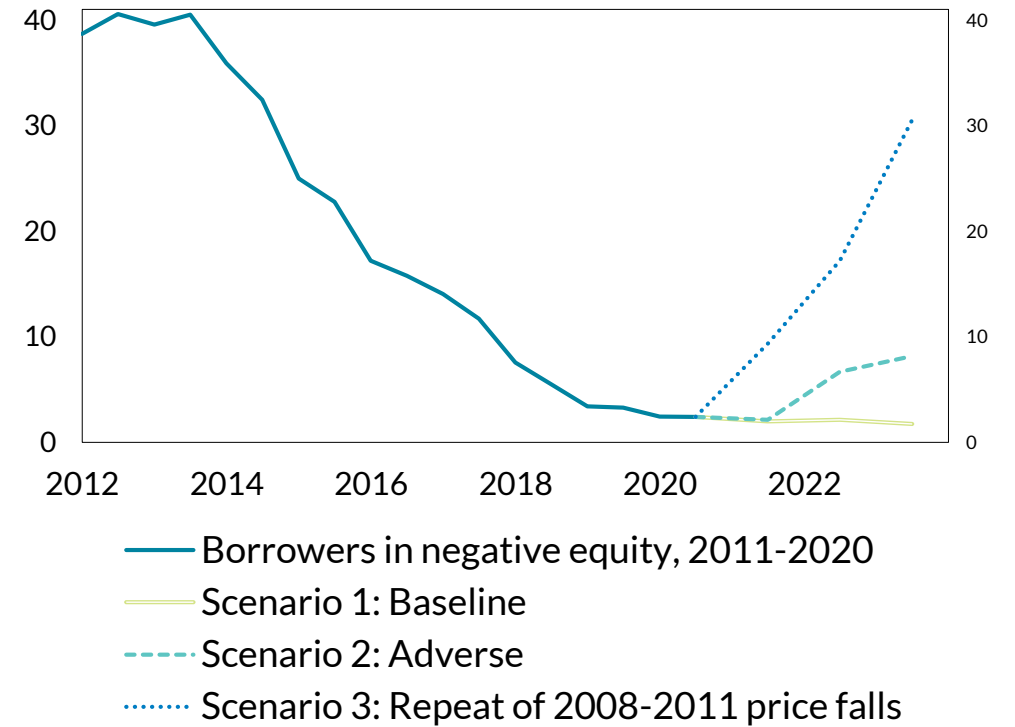
Central Bank analysis suggests house price to income ratio would have been even higher without the measures



Source: FSR 2019: H2 Box 6 “Estimating the impact of the mortgage measures on the housing market”.

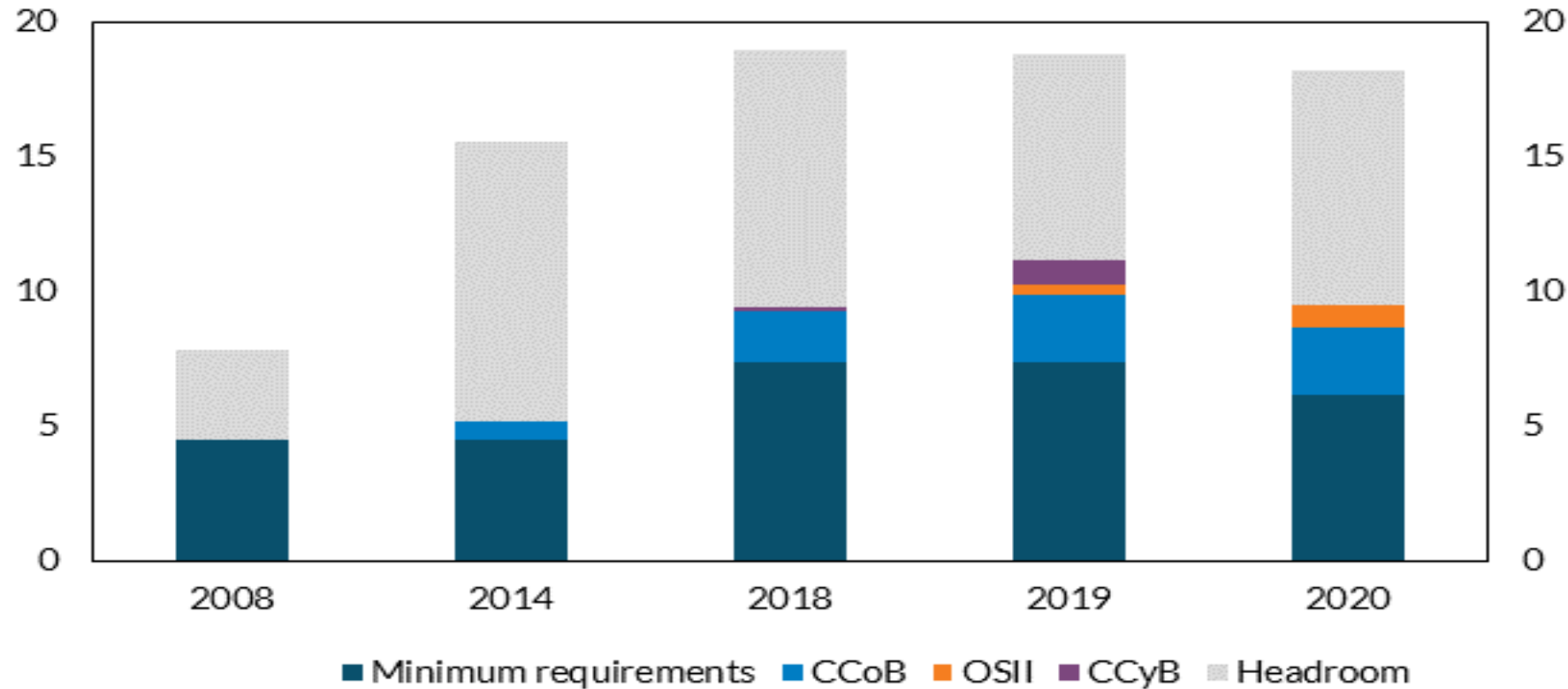


The risks of negative equity are greatly reduced relative to the past



Source: FSR 2020: H2

The evolution of capital requirements during the era of macroprudential policy



Notes: Breakdown not available for 2008 & 2014. Minimum requirements includes P1 and P2R
 P2G included in headroom. Data relates to the aggregate position of the domestic banking system as of year-end.
 Transitional CET1 ratio.

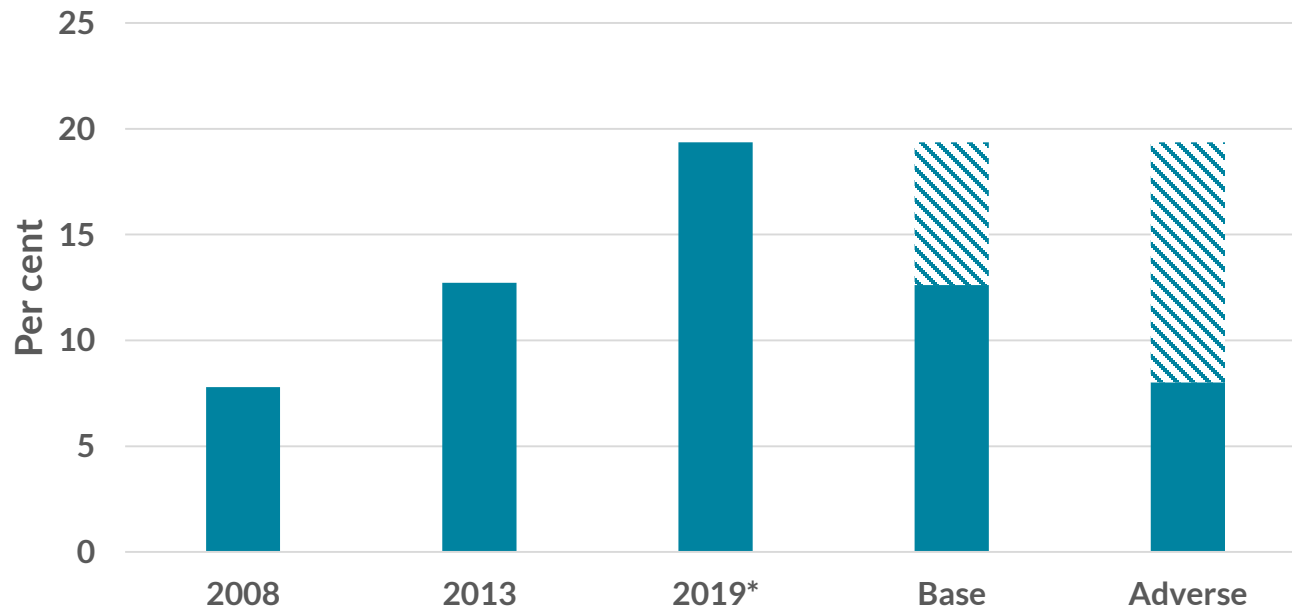


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Forward looking assessment of bank capital

Resilience assessment results in context of aggregate capital position since the financial crisis



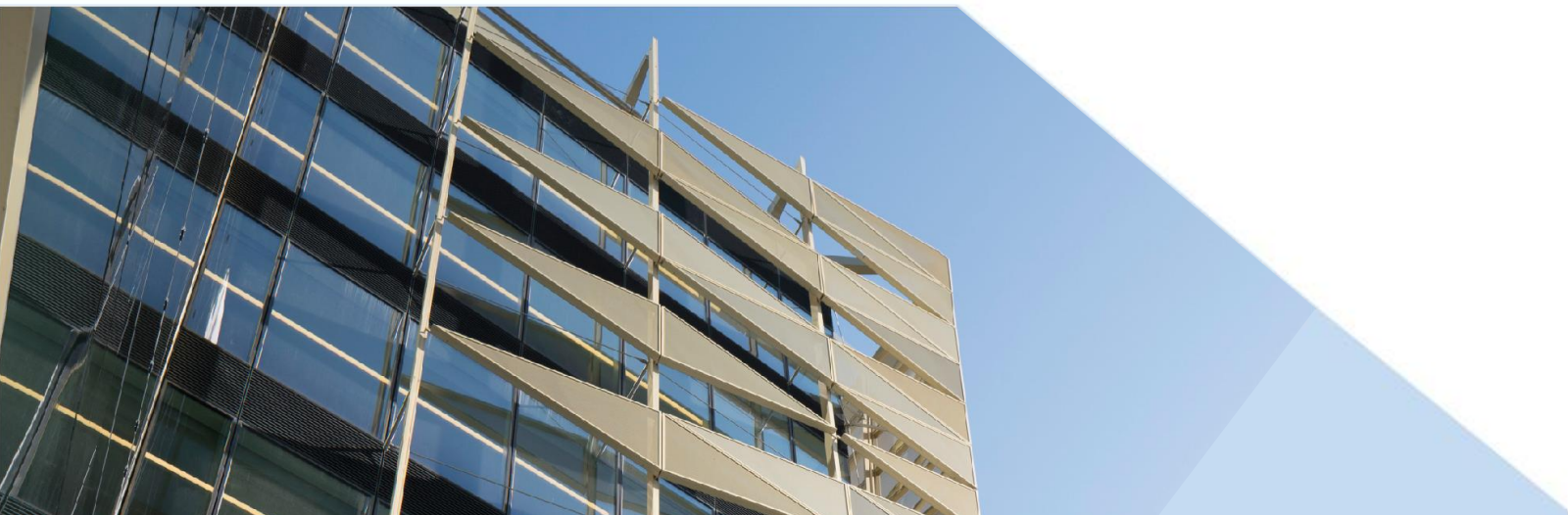
Source: Central Bank of Ireland Financial Stability Review 2020: H2





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Deputy Governor Sharon Donnery
18th February 2021