



PRESS RELEASE

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The Banco de España holds the countercyclical capital buffer at 0%

In light of the current macro-financial environment and lending and real estate market developments, the Banco de España has decided to hold the countercyclical capital buffer (CCyB) rate applicable to banks for their credit exposures in Spain at 0% in the first quarter of 2023.¹

The CCyB is a macroprudential instrument designed to bolster the banking system's resilience via the accumulation of capital during economic upswings – which is when systemic risks tend to build up – for its subsequent use when risks that might affect financial stability materialise.

The Banco de España regularly monitors the financial cycle by analysing different indicators. One of the most important indicators is the credit-to-GDP gap, which measures the deviation of the private non-financial sector credit-to-GDP ratio from its trend level. This indicator has remained above the warning threshold since the start of the COVID-19 pandemic in March 2020. However, it has continued to fall up to the latest date for which data are available, driven by the recovery in economic activity since mid-2021, which has continued in 2022 to date. In coming quarters, the high uncertainty generated by interrelated factors such as the war in Ukraine, energy market strains, inflationary pressures and monetary policy tightening could affect the economic recovery and, consequently, the pace of the future correction in the credit-to-GDP gap.

The Banco de España also analyses a wide range of **complementary macro-financial indicators**, which, overall, do not indicate that endogenous systemic risks are building up either. GDP shows that activity has yet to return to its pre-pandemic level, and the increase in macroeconomic risks linked to inflationary pressures and geopolitical tensions may slow down this recovery process. These factors support maintaining the CCyB at 0% so as to stave off potential adverse pro-cyclical effects. In this respect, should these downside risks to economic activity materialise, a moderation of credit, brought about by

¹ This quarterly macroprudential policy decision is adopted under the powers conferred upon the Banco de España, in transposition of Directive 2013/36/EU, by Law 10/2014 on the regulation, supervision and solvency of credit institutions, and by Royal Decree 84/2015 and Banco de España Circular 2/2016.

activating the CCyB, would not help reduce the level of systemic risk and would also further weaken GDP growth.

Other indicators, such as credit intensity (the ratio of the annual change in lending to GDP) and the debt service ratio (the ratio of loan principal and interest payments to GDP) are at moderate levels and the current account of the Spanish economy remains in surplus. In any event, these metrics must be closely monitored. In particular, the increase in financial market interest rates could cause the debt service ratio to start rising in the coming quarters. Indeed, available estimates show that a 300 basis point increase in the 12-month EURIBOR – somewhat lower than that recorded since early 2022 – would raise indebted households' debt service payments by 2.3% of their income, while the impact on indebted firms' median debt burden ratio would increase by between 2.6 pp and 5.6 pp.² For the time being, higher financial market interest rates are being passed through less forcefully than observed historically, although this should be expected to accelerate over coming months. In any event, it would not reach prior levels, as the share of longer-term loans with fixed interest rates has risen considerably, both for households and for firms.

The decision by the Banco de España is in keeping with both the recent European Central Bank (ECB) statement on macroprudential policies³ and the assessments included in its latest Financial Stability Review.⁴ Both documents highlight that countries with macro-financial imbalances could increase macroprudential buffers, given the current situation in the banking sector, to strengthen banks' resilience. Yet they also underscore that the macroprudential measures should take into account the current highly uncertain setting and should be tailored to the specific conditions in each country. The Banco de España considers that the macro-financial situation in Spain is not currently indicative of the existence of material imbalances and, therefore, activating the CCyB is not recommended.

The Spanish real estate market

The real estate market continues showing minor warning signals, although the latest data suggest a slowdown in the upward trend observed in 2021. Specifically, the latest available figure for the House Price Index published by the National Statistics Institute shows that the house price growth rate remained high in the third quarter of 2022 (a year-on-year rate of change of 7.6%, albeit slightly down from 8.0% in the second quarter). Meanwhile, the indicators of real estate market price imbalances continue to show some signs of overvaluation, although they remain contained and lower than in other European countries that have already activated some macroprudential tools. Turning to real estate transactions, house purchases grew by 9.7% year-on-year in the third quarter of 2022, far lower growth than observed in the previous quarter (19.7%).

New mortgage loans also displayed significant momentum in the first half of the year, but moderated somewhat in the third quarter. In particular, in the third quarter of 2022 the flow of new lending for house purchase increased by 12.7% compared with the same quarter of 2021. However, given the high volume of repayments and since new lending accounts for a relatively small share of total lending, the

² See [Chapter 1](#) of the Banco de España's Autumn 2022 Financial Stability Report.

³ See ["Governing Council statement on macroprudential policies"](#), published by the ECB on 2 November 2022.

⁴ See the [November 2022 Financial Stability Review](#), published by the ECB on 16 November 2022.

outstanding amount of mortgage lending continued to grow moderately (0.6% year-on-year in the third quarter of 2022, down from the rates of just over 1% observed since end-2021). In tandem, lending for construction activities and real estate development continued to contract (-4.2% year-on-year in the third quarter of 2022), in line with the lower momentum in the new housing market.

Finally, since the [last CCyB review](#) no significant changes have been observed in the credit standards that assess the loan-to-value and debt-to-income ratios. Accordingly, credit standards remain prudent. Furthermore, although the interest rates on new mortgage loans started to rise in the third quarter of 2022, their spreads against the reference rates continued narrowing in that period, exacerbating a trend observed before the monetary policy normalisation process was launched. In this respect, it is important to bear in mind that interest rates on loans should reflect the funding costs incurred and also the risks taken.

Amid extraordinary uncertainty, banks must use the higher profits generated in the short term to bolster their resilience so as to be able to continue smoothly performing their primary function, which is to lend to households and firms with viable projects, even if the significant risks currently detected materialise.

Overall, this assessment of the indicators is consistent with holding the CCyB rate at 0% at present. In any event, the Banco de España will continue to monitor the situation closely, paying particular attention to developments related to the real estate sector.

In accordance with the procedure set out in Article 5 of Regulation (EU) No 1024/2013, this decision of the Banco de España on the CCyB has been approved after consultation with the ECB. The proposed decision was also communicated to the Spanish macroprudential authority (AMCESFI), as stipulated in Article 16 of Royal Decree 102/2019 and in the sole additional provision of Royal Decree-Law 22/2018.⁵

The Banco de España's previous press releases, and other relevant information for determining CCyB rates, are available [here](#).

⁵ AMCESFI has not issued an Opinion on this proposed decision as the new CCyB rate is unchanged from the previous quarter's.

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For further information: Tel. +34 91 338 5044 / 6097 / 5318 Fax +34 91 338 5203 <http://www.bde.es/> Email: comunicacion@bde.es



@BancoDeEspana



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