



Communication Department

PRESS RELEASE

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

The relevant indicators continue to point to a lack of build-up of systemic vulnerabilities in the Spanish financial system. The Banco de España has therefore decided¹ to hold the rate of the countercyclical capital buffer (CCyB)² required of banks for their credit exposures in Spain at 0% in the second quarter of 2024.

The Banco de España regularly analyses the financial cycle by monitoring a number of indicators. One of the most important is the credit-to-GDP gap, which captures the deviation of the private non-financial sector's credit-to-GDP ratio from its trend level. The latest available data show that this indicator remains in negative territory and well below the alert threshold. This is due to both the economic growth over the last two years and the contraction in credit that began in late 2022. However, this downward trend seems to have come to a halt in recent quarters and an upward trend is projected for the coming quarters. Meanwhile, the macro-financial environment remains subject to considerable uncertainty, in particular due to heightened geopolitical tensions stemming from the wars in Ukraine and the Middle East.

The Banco de España also monitors a wide range of **other macro-financial indicators**, which, overall, continue to show no signs of a build-up of new systemic vulnerabilities. In the short term, the balance of risks to economic activity seems to be on the downside. This continues to support holding the CCyB at 0% to stave off potential adverse pro-cyclical effects. However, both economic activity and bank profitability have developed favourably in 2022 and 2023, despite an uncertain macro-financial environment. Confirmation of these resilience patterns and the easing of some financial stability risks, such as those linked to inflation, would limit the role of pro-cyclicality considerations in the CCyB decision.

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 Royal Decree 84/2015, and implemented by Banco de España Circular 2/2016.

² 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.

Credit intensity (the ratio of the annual change in lending to GDP) remains negative, while the debt service ratio (the ratio of loan principal and interest payments to households' and firms' disposable income) continues to stand at moderate levels, with only a slowdown in its previous downward path, as private non-financial sector deleveraging has on average offset the rise in interest rates to date. Meanwhile, the Spanish economy's current account remains in surplus.

The Spanish real estate market

House prices in Spain grew 4.2% year-on-year in 2023 Q4, slightly below the increase of the previous quarter, which was driven by the sharp increase in new house prices and a more moderate rise in second-hand house prices. Owing to the strength in house prices, indicators of real estate market price imbalances continue to show some signs of overvaluation, although these are limited and smaller than those observed in other European countries where macroprudential measures have had to be activated. Nevertheless, these indicators need to be monitored closely.

The decline in housing market activity continues, both in terms of real estate transactions and lending, although the year-on-year rate of contraction is moderating. House purchases decreased by 13.9% in 2023 Q4 in year-on-year terms, a smaller decline than in Q3. Likewise, new mortgage loans have continued to lose momentum in 2023. Specifically, in 2023 Q4 the flow of new credit for house purchase decreased by 10.5% compared with a year earlier, significantly less than in the first three quarters of 2023. Total outstanding mortgage credit also declined, albeit more moderately (by 3.1% year-on-year in 2023 Q4), owing to the above-mentioned decline in the flow of new lending and to the high rate of repayments. At the same time, lending for construction and real estate development continued to slow (-6.2% in 2023 Q4).

Most credit standards for new lending have continued to tighten moderately or have held steady since the last CCyB review. The loan-to-value ratio continues to decline slightly and the average loan-to-income ratio for new mortgages remains steady. The only variable that is increasing is the loan service-to-income ratio for new mortgages, as a consequence of higher interest rates. However, a mitigating factor to be considered is that the proportion of new loans in which this ratio is over 30%, which is deemed a prudent level, remains low.

This analysis warrants holding the CCyB rate at 0%. Nonetheless, the Banco de España continues to monitor the situation closely, paying particular attention to developments in the real estate sector.³

In any event, the Banco de España considers it advisable for banks to use the temporary increase in earnings to increase their solvency, thus guaranteeing they can continue to perform their primary function, which is to lend to households and firms with viable projects, even if the significant risks identified in the current uncertain environment materialise.


³ 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.

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

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