

Countercyclical capital buffer rate announcement

30 September 2016

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. The rate will be effective from October 1st 2016. In keeping the rate at 0 per cent, the Central Bank noted the following:

- Notwithstanding increases in new lending, the general credit environment remains weak. Year-on-year growth rates in credit remain negative across most areas of the economy.
- The rate of increase in commercial real estate prices has moderated substantially in the last 12-18 months but remains in double digits. On the residential side of the market, the newly released CSO property price index indicates a large monthly increase in July bringing the year-on-year growth rate to 6.7 per cent (as opposed to 4.9 per cent in June). At present, these sectoral developments are not viewed as having a direct impact on the level of economy-wide cyclical systemic risk as would be mitigated by use of the CCyB.
- External imbalances, as measured by the current account position and net international investment position, do not point to emerging cyclical systemic risks – although once again headline figures are impacted by the activities of multinational corporations.

Credit Gap indicators

Notwithstanding the challenges regarding the use of the credit-to-GDP ratio as an indicator in an Irish context at this time, it is a mandated indicator under the European CCyB framework. A range of credit gap indicators analysed by the Central Bank show the gap to be negative. The benchmark CCyB rate, which is used as a common reference point across Europe, corresponding to a credit gap of -29 per cent is 0 per cent.

Table 1: Credit Gap and benchmark CCyB rate (based on data referring to 2016Q1)

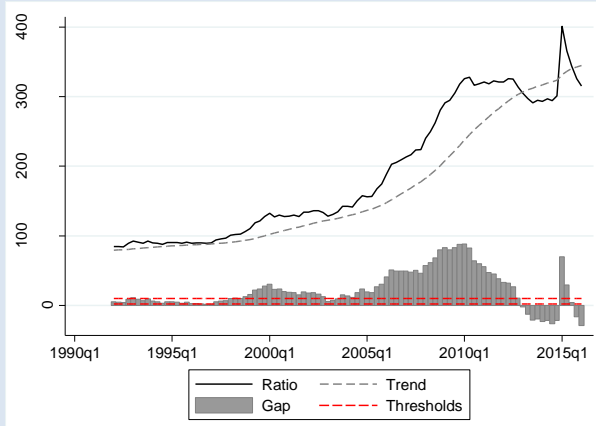
		Standardised Approach	National Specific Approach
<i>A</i>	Latest credit-to-GDP ratio	315 per cent	76 per cent
<i>B</i>	Trend credit-to-GDP ratio	345 per cent	154 per cent
<i>C</i>	Credit Gap (=A-B)	-29 per cent	-79 per cent
	Benchmark CCyB rate	0 per cent	0 per cent

Further information

Further information on how the Central Bank sets the CCyB rate and the quantitative indicators analysed can be found under the Macro-prudential policy section of our [website](#). A selection of relevant indicators is shown below.

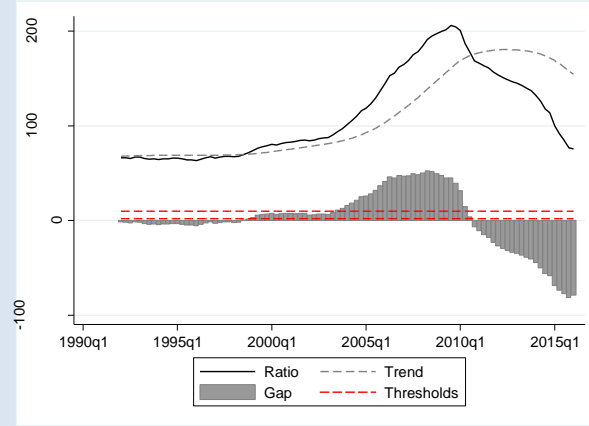
Annex: Quantitative indicators

Credit-to-GDP ratio and gap: Standardised Methodology



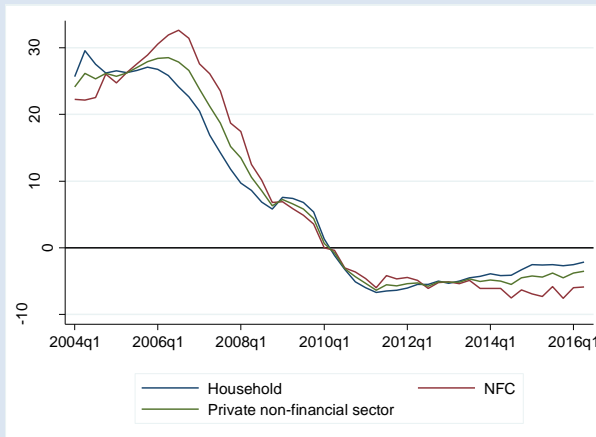
Source: Central Bank of Ireland, CSO, BIS and Central Bank calculations. Last observations 2016Q1.

Credit-to-GDP ratio and gap: National specific approach



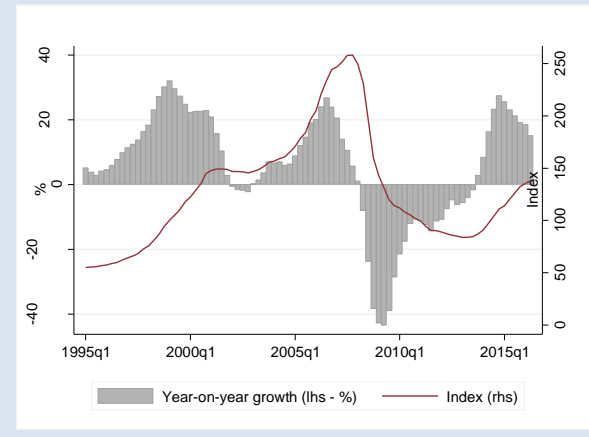
Source: Central Bank of Ireland, CSO, BIS and Central Bank calculations. Last observation 2016Q1.

Year-on-year credit growth in bank lending (Real)



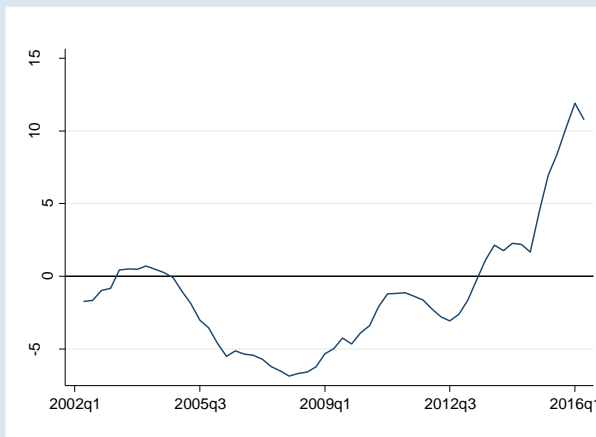
Source: Central Bank of Ireland & CSO. Last observation 2016Q2.

Commercial real estate price developments



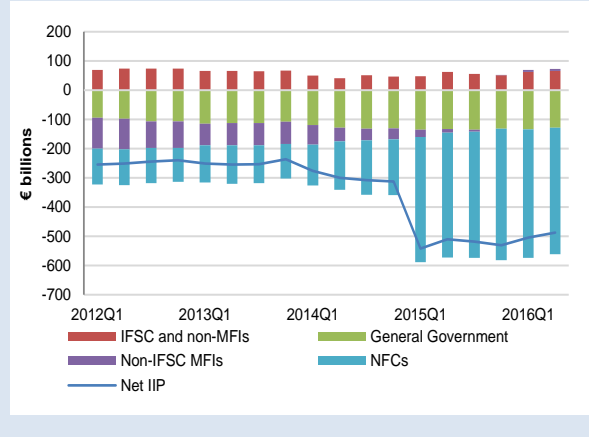
Source: IPD & Central Bank calculations. Last observation 2016Q2.

Current account balance as a % of GDP



Source: CSO and Central Bank calculations. Last observation 2016Q2.

Net international investment position



Source: CSO. Last observation 2016Q2.