

**Quarterly decision of the National Bank of Belgium on the countercyclical buffer rate  
for 2019Q4: 0.5 %**

**Pursuant to Art. 5 §2 Annex IV to the Banking Law, the National Bank of Belgium has decided to keep the countercyclical buffer rate for exposures in Belgium at 0.5 %.**

**Justification**

1. The countercyclical capital buffer is a macroprudential instrument designed to mitigate cyclical systemic risks and to counter pro-cyclicality in lending. Its objective is to support the sustainable provision of credit through the cycle by strengthening the resilience of banks. In particular, capital buffers are imposed whenever there is an increase in cyclical systemic risks (i.e. with excessive growth in lending), so that these additional requirements can be relaxed when the cycle turns and the risks start to decline. If risks emerge – in a situation of financial stress for instance – a decision can be taken to release the buffer instantly in order to give the banks some extra breathing space and thus put them in a better position to absorb losses and keep up their level of lending when the economic and financial environment is vulnerable. The countercyclical buffer rate, expressed as a percentage of banks' risk-weighted assets, is generally between 0 and 2.5 %, but can be set higher when justified by the underlying risk. It should be noted that the countercyclical capital buffer is only one of the macroprudential instruments available to the National Bank of Belgium for achieving its mission of contributing to the stability of the financial system.
2. Pursuant to Article 5 of Annex IV to the Law of 25 April 2014 on the legal status and supervision of credit institutions, the National Bank of Belgium sets each quarter the countercyclical buffer rate applicable to credit exposures to counterparties located on Belgian territory on the basis of one or more reference indicators that reflect the credit cycle and the risks stemming from excessive credit growth in Belgium, and that account for the specific elements of the national economy. These indicators shall include the deviation of the credit-to-GDP ratio from its long-term trend (the credit-to-GDP gap), accounting for the change in volumes of credit granted on Belgian territory and the evolution of Belgian GDP, the recommendations issued by the ESRB, and any other variable that the National Bank of Belgium deems relevant to capture cyclical systemic risk.
3. The National Bank of Belgium sets the countercyclical buffer rate pursuant to its policy strategy regarding the countercyclical capital buffer published on 28 December 2015.<sup>1</sup> In line with the Basel III framework and the ESRB Recommendation of 18 June 2014 on guidance for setting countercyclical buffer rates, the quarterly decision on the countercyclical buffer rate is partially based on a 'buffer guide' derived from the credit-to-GDP gap.<sup>2</sup> Given the specific features of the domestic financial system and statistical properties of the credit series monitored, the National Bank of Belgium sets the credit-to-GDP variable on the basis of resident bank loans. The quarterly decision on the countercyclical buffer rate also takes into account additional macrofinancial indicators, including broader credit measures. More generally, the analysis for the countercyclical capital buffer forms an integral part of the National Bank of Belgium's overall risk assessment framework, which covers a broad range of threats to the stability of the financial system.
4. The National Bank of Belgium has decided to keep the countercyclical capital buffer rate for exposures in Belgium at 0.5 %. The key indicators displayed in Table 1 – related to the credit cycle, the resilience of the non-financial private sector, financial and asset markets, the resilience of the banking sector, and external imbalances – point to an acceleration of the credit cycle. The credit-to-GDP gap of the non-financial private sector currently exceeds the ESRB activation threshold of 2 %, in full accordance with the base scenario underlying the decision to activate the CCyB in June

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<sup>1</sup> "Setting the countercyclical buffer rate in Belgium: a policy strategy".

<sup>2</sup> The buffer guide is the result of the credit-to-GDP gap being mapped into a benchmark buffer rate, as specified in the ESRB Recommendation of 18 June 2014 on guidance for setting countercyclical buffer rates. The benchmark buffer rate equals 0 % for credit-to-GDP gap levels up to 2 percentage points. When the credit-to-GDP gap exceeds 2 percentage points, the benchmark buffer rate increases linearly, reaching its maximum level of 2.5 % for credit-to-GDP gap levels of 10 percentage points and higher.

2019. In addition, several other indicators confirm the acceleration of the credit cycle in Belgium. In that context, the National Bank of Belgium confirms the need to maintain prudential measures – in line with macroprudential policy principles – and hence gradually build up precautionary countercyclical buffers. The National Bank of Belgium will continue to closely monitor the developments in the relevant indicators and to adjust the CCyB rate if necessary.

**Table 1: Key indicators<sup>1</sup>**

Variable	Unit	Latest period	Value
<b>Non-financial private sector credit cycle (resident bank loans)</b>			
<u>Preferred credit-to-GDP gap</u>	% GDP	2019 Q2	2.8
<u>Households</u>	% GDP	2019 Q2	0.0
<u>Non-financial corporations</u>	% GDP	2019 Q2	2.8
<u>CCyB guide related to preferred credit gap<sup>2</sup></u>	% RWA	2019 Q2	0.24
<u>Standardised credit-to-GDP gap</u>	% GDP	2019 Q1	-16.0
<u>CCyB guide related to standardized credit gap<sup>2</sup></u>	% RWA	2019 Q1	0
<u>Bank loan growth</u>	y-o-y %	2019 M6	5.3
<u>Households</u>	y-o-y %	2019 M6	5.5
<u>Non-financial corporations</u>	y-o-y %	2019 M6	4.9
<u>p.m. Credit-to-GDP ratio<sup>3</sup></u>	% GDP	2019 Q2	84.2
<b>Non-financial private sector resilience</b>			
<u>Debt-to-GDP ratio</u>	% GDP	2019 Q1	125.5
<u>Households</u>	% GDP	2019 Q1	61.4
<u>Non-financial corporations</u>	% GDP	2019 Q1	64.1
<u>Net financial assets</u>	% GDP	2019 Q1	133.5
<b>Financial and assets markets</b>			
<u>Equity prices, nominal (Euro Stoxx 50)</u>	y-o-y %	2019 M7	1.4
<u>Price-earnings ratio (Euro Stoxx 50)<sup>4</sup></u>	–	2019 M7	17.4
<u>House prices, nominal</u>	y-o-y %	2019 Q1	3.4
<u>House prices, real</u>	y-o-y %	2019 Q1	1.5
<u>10-year government bond yield</u>	% points/y	2019 M7	0.0
<u>Bank lending rate on mortgage loans to households</u>	% points/y	2019 M6	1.8
<u>Bank lending rate on loans to non-financial corporations</u>	% points/y	2019 M6	1.7
<b>Banking sector resilience</b>			
<u>CET 1 capital ratio</u>	%	2019 Q2	15.2
<u>Equity-to-total assets ratio</u>	%	2019 Q2	7.1
<u>Loan-to-deposit ratio</u>	%	2019 Q2	95.6
<b>External imbalances</b>			
<u>Current account</u>	% GDP	2019 Q1	-1.2
<u>Net international investment position</u>	% GDP	2019 Q1	49.4

Sources: Refinitiv, NBB.

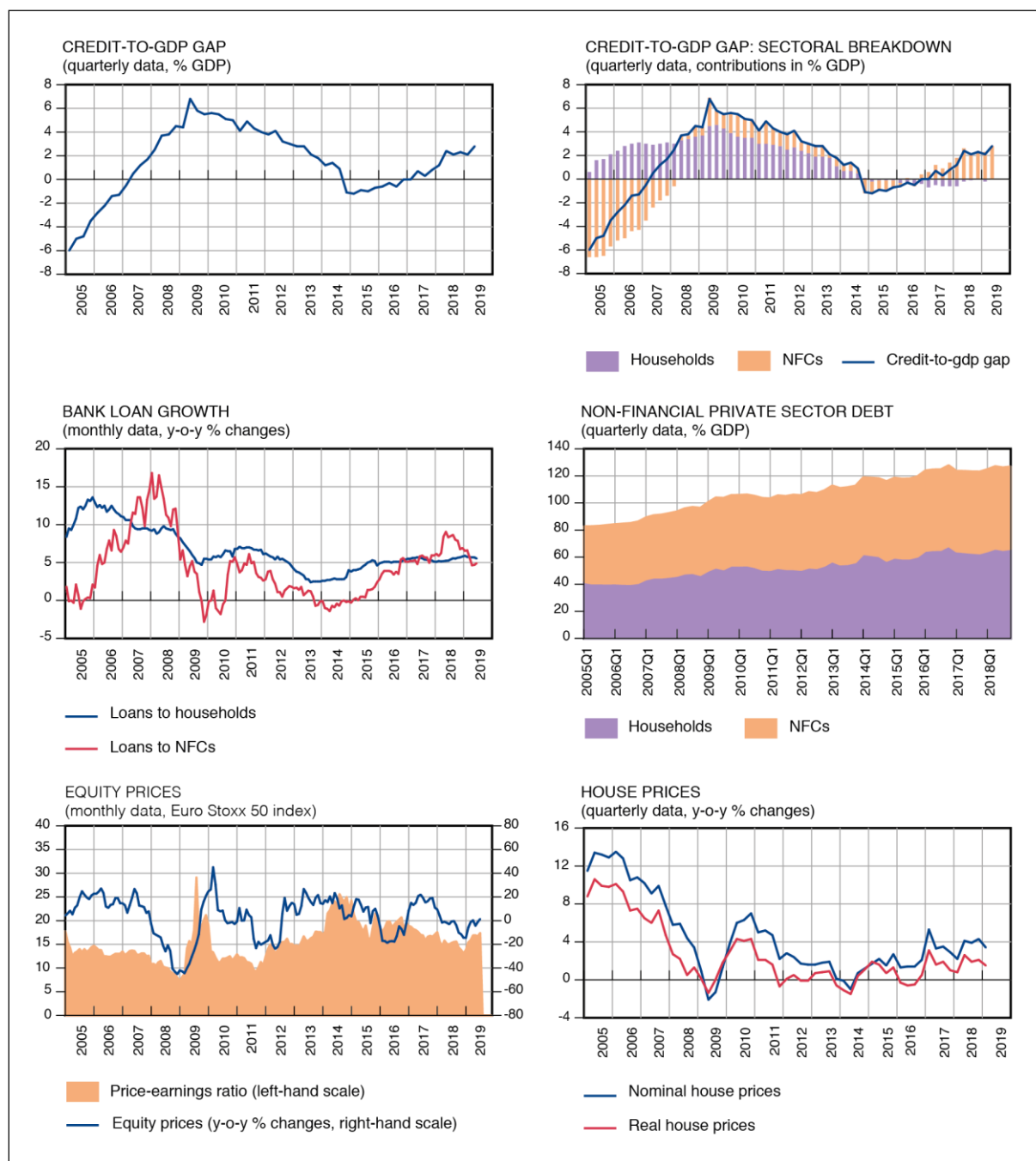
<sup>1</sup> Monthly averages for daily data. Data are shown end of quarter (March, June, September, December) or for the latest month available.

<sup>2</sup> CCyB guides are expressed in percentage of risk-weighted assets.

<sup>3</sup> Outstanding amounts of loans granted by resident monetary financial institutions to households and non-financial corporations, including those securitized, in percentage of GDP.

<sup>4</sup> Price earnings (P/E) ratio is a trailing (12 months) P/E ratio.

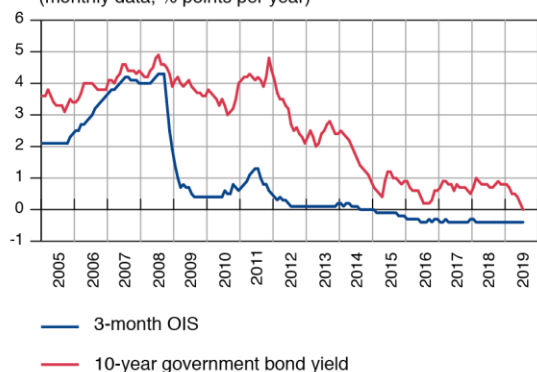
## STATISTICAL ANNEX



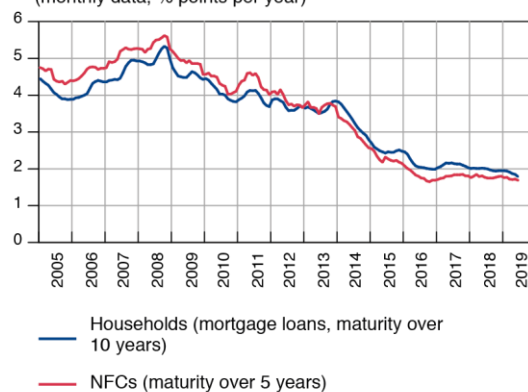
Sources: Refinitiv, NBB.

## STATISTICAL ANNEX (cont.)

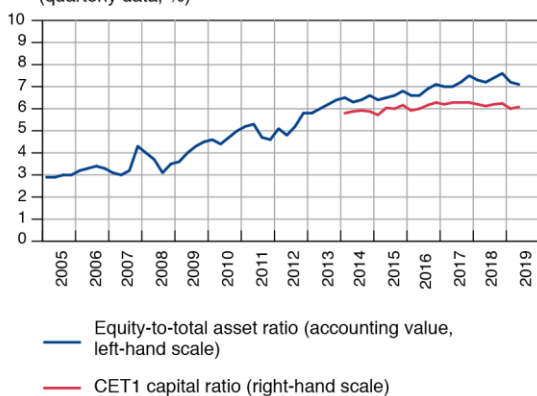
SHORT- AND LONG-TERM INTEREST RATES  
(monthly data, % points per year)



BANK LENDING RATES  
(monthly data, % points per year)



BANK SOLVENCY  
(quarterly data, %)



LOAN-TO-DEPOSIT RATIO  
(quarterly data, %)



CURRENT ACCOUNT  
(quarterly data, % of GDP)



NET INTERNATIONAL INVESTMENT POSITION  
(quarterly data, % of GDP)



Sources: Refinitiv, NBB.