

**Quarterly decision of the National Bank of Belgium on the countercyclical buffer rate  
for 2021Q3: 0 %**

**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 %.**

**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.
4. In anticipation to significant and potential long-lasting effects on domestic and global economic growth due to the Covid-19 pandemic, the NBB decided in March 2020, pursuant to its macroprudential powers laid down by the Belgian Banking Law of 2014, to decrease the countercyclical buffer for credit risk exposures to the Belgian private non-financial sector to 0%. The decision of the National Bank of Belgium to release the CCyB was based on the anticipation of impacts on loan portfolios.
5. In the context of the current release regime of the CCyB, some of the indicators mentioned in Table 1, including the credit gap as well as bank credit growth rates, appear less relevant. For the current

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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.

and forthcoming CCyB decisions, the National Bank of Belgium focuses more on the evolution of credit quality indicators (e.g. NPLs, IFRS9 stage transitions). These credit quality indicators currently signal a persistence of the crisis. Hence, the NBB currently overrides the signals that follow from the standard indicators. Despite the high observed level of credit-to-GDP gap, the NBB will thus keep the countercyclical buffer rate unchanged at 0%.

6. Based on current projections and risk assessments, the NBB expects not to increase the CCyB at least until 2022Q1. Should there be major deviations from the baseline projections, the NBB will reassess this indicative period.

**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	2021 Q1	7.5
<u>Households</u>	% GDP	2021 Q1	3.6
<u>Non-financial corporations</u>	% GDP	2021 Q1	4.0
<u>CCyB guide related to preferred credit gap<sup>2</sup></u>	% RWA	2021 Q1	1.7
<u>Standardised credit-to-GDP gap</u>	% GDP	2020 Q4	0.8
<u>CCyB guide related to standardized credit gap<sup>2</sup></u>	% RWA	2020 Q4	0
<u>Bank loan growth</u>	y-o-y %	2021 M03	2.8
<u>Households</u>	y-o-y %	2021 M03	4.6
<u>Non-financial corporations</u>	y-o-y %	2021 M03	-0.2
<i>p.m. Credit-to-GDP ratio<sup>3</sup></i>	% GDP	2021 Q1	91.5
<b>Non-financial private sector resilience</b>			
<u>Debt-to-GDP ratio</u>	% GDP	2020 Q4	135.0
<u>Households</u>	% GDP	2020 Q4	67.6
<u>Non-financial corporations</u>	% GDP	2020 Q4	67.4
<u>Net financial assets</u>	% GDP	2020 Q3	145.4
<b>Financial and assets markets</b>			
<u>Equity prices, nominal (Euro Stoxx 50)</u>	y-o-y %	2021 M04	40.0
<u>Price-earnings ratio (Euro Stoxx 50)<sup>4</sup></u>	–	2021 M04	46.3
<u>House prices, nominal</u>	y-o-y %	2020 Q4	7.8
<u>House prices, real</u>	y-o-y %	2020 Q4	7.2
<u>10-year government bond yield</u>	% points/y	2021 M04	0.04
<u>Bank lending rate on mortgage loans to households</u>	% points/y	2021 M02	1.4
<u>Bank lending rate on loans to non-financial corporations</u>	% points/y	2021 M02	1.4
<b>Banking sector resilience</b>			
<u>CET 1 capital ratio</u>	%	2021 Q1	17.0
<u>Equity-to-total assets ratio</u>	%	2021 Q1	6.7
<u>Loan-to-deposit ratio</u>	%	2021 Q1	88.8
<b>External imbalances</b>			
<u>Current account</u>	% GDP	2020 Q4	-0.2
<u>Net international investment position</u>	% GDP	2020 Q4	45.0

Sources: Thomson Reuters, 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.

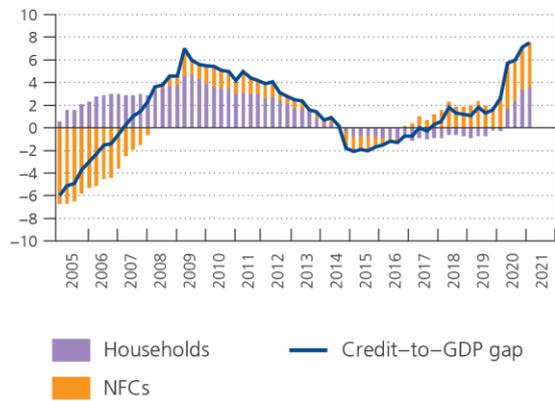
<sup>4</sup> Price earnings (P/E) ratio is a trailing (12 months) P/E ratio.

## STATISTICAL ANNEX

**Credit-to-GDP gap**  
(quarterly data, % GDP)



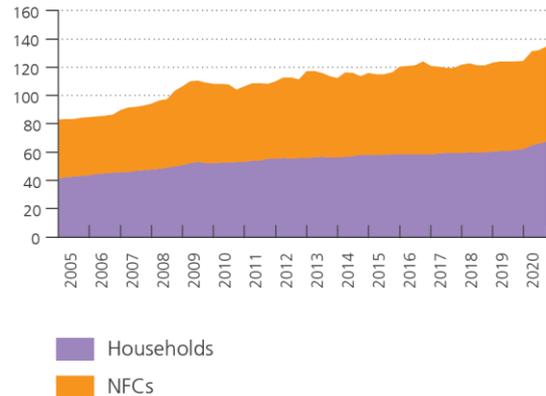
**Credit-to-GDP gap: sectoral breakdown**  
(quarterly data, contributions in % GDP)



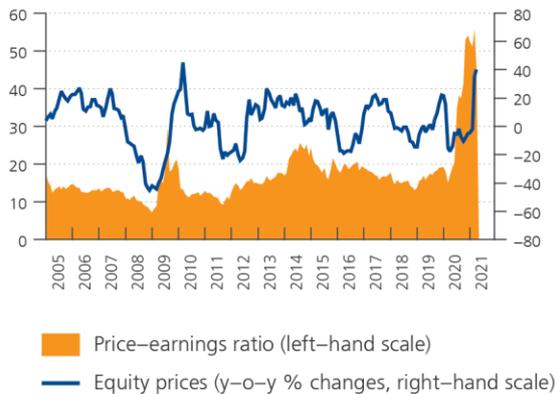
**Bank loan growth**  
(monthly data, y-o-y % changes)



**Non-financial private sector debt**  
(quarterly data, % GDP)



**Equity prices**  
(monthly data, Euro Stoxx 50 index)



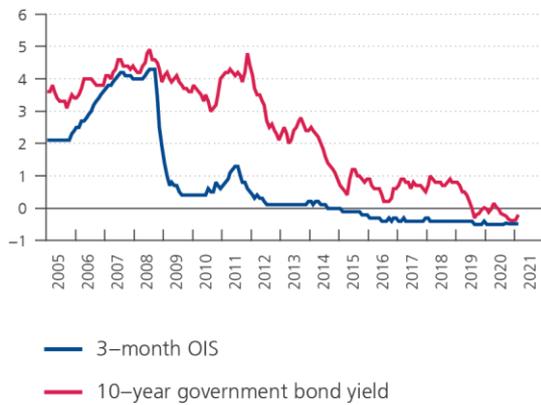
**House prices**  
(quarterly data, y-o-y % changes)



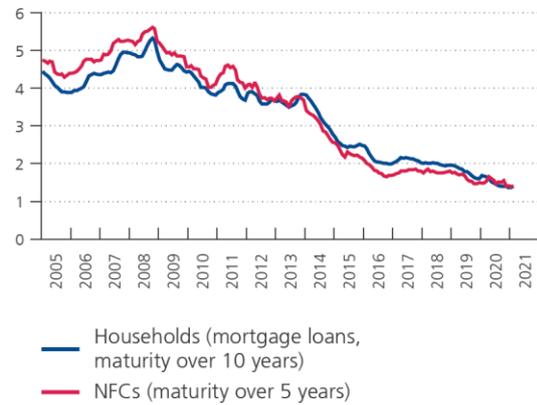
Sources: Thomson Reuters, Refinitiv, NBB.

## STATISTICAL ANNEX (cont.)

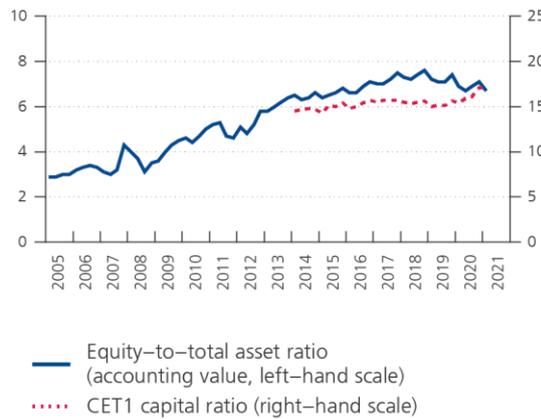
**Short- and long-term interest rates**  
(monthly data, % points per year)



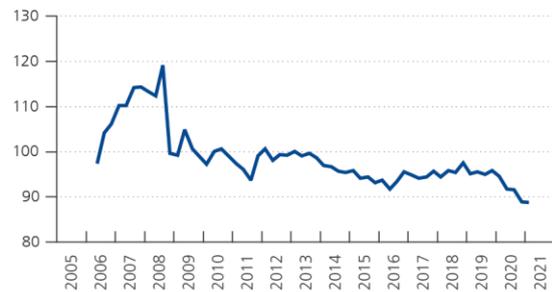
**Bank lending rates**  
(monthly data, % points per year)



**Bank solvency**  
(quarterly data, %)



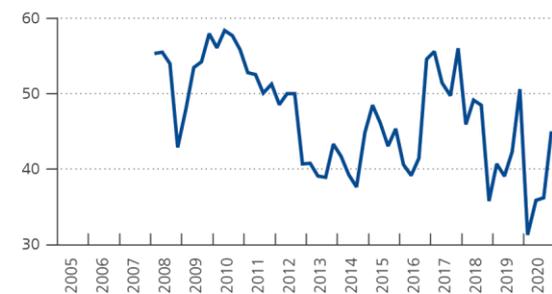
**Loan-to-deposit ratio**  
(quarterly data, %)



**Current account**  
(quarterly data, % of GDP)



**Net international investment position**  
(quarterly data, % of GDP)



Sources: Thomson Reuters, Refinitiv, NBB.