



The Central Bank (“the Bank”) has today announced that the countercyclical capital buffer (CCyB) rate on Irish exposures is to be maintained at its current announced level of 1.5 per cent. In June 2023, the Central Bank announced an increase in the CCyB rate from 1 per cent to 1.5 per cent, effective from June 2024.¹ Today’s announcement reflects no change to the Bank’s policy stance for the CCyB.

The Bank’s primary objective for the CCyB is to promote resilience in the banking sector – proportionate to the risk environment – with a view to facilitating a sustainable flow of credit to the economy through the financial cycle. The Central Bank’s strategy considers a CCyB rate of 1.5 per cent to be appropriate when risk conditions are neither elevated nor subdued.² The increase in the CCyB rate announced in June brought the CCyB rate to this level.

Maintaining the CCyB rate at 1.5 per cent is deemed appropriate in the context of the current macro-financial environment. The Central Bank’s most recent Quarterly Bulletin pointed to the domestic economy operating at capacity, underpinned by strong labour market dynamics. Credit developments continue to be heterogeneous across the market. Strong demand for mortgage credit continues to be evident among first time buyers. In terms of the banking sector, the capital position has remained resilient and the improved profitability position is expected to continue in a central macro-economic scenario. Nonetheless risks remain. Domestically, the erosion of real incomes and the lagged transmission of higher monetary policy rates continue to pose downside risks to the economy. Rising interest rates have already had immediate effects in the commercial real estate market, and annual house price growth is also moderating. Globally financial risks remain, as the financial system has continued its adjustment to persistently high inflation and the necessary monetary policy response.

Having the CCyB in place provides scope for its release, should it be required in response to a materialisation of risks, while supporting the banking system to better withstand such shocks, without restricting the supply of credit to the economy. On the other hand, the CCyB could be

¹ The Central Bank of Ireland’s [June 2023 CCyB Announcement](#)

² For further information see [the Central Bank’s framework for macroprudential capital](#) and [CCyB addendum](#).

increased above 1.5 per cent if cyclical risks were becoming elevated. Future CCyB rate decisions will be based on macro-financial conditions in a manner consistent with the Central Bank's strategy for the CCyB.