5 March 2024

The Central Bank ("the Bank") is maintaining the countercyclical capital buffer (CCyB) rate on Irish exposures at its current announced level of 1.5 per cent.[1] Today's announcement reflects no change to the Bank's policy stance for the CCyB. The Bank's strategy considers a CCyB rate of 1.5 per cent to be appropriate when cyclical risk conditions are neither elevated nor subdued.[2]

Maintaining the CCyB rate at 1.5 per cent is deemed appropriate in the context of the current macro-financial environment. As the effects of tighter monetary policy continue to emerge, the domestic economy has shifted onto a slower growth path in line with its medium-term potential. At the same time, the resilience of the household and corporate sectors in aggregate, continues to benefit from the strength of the labour market and low indebtedness. While credit conditions have been tightening somewhat, this is consistent with the transmission of monetary policy and evolving macroeconomic conditions. The FTB mortgage market in particular continues to see strong levels of new lending activity. The domestic banking sector position remains solid, with profitability levels being supported by interest margins and aggregate capital ratios remaining robust. While pockets of risk materialisation are evident (e.g. in the commercial real estate market), broad systemic risks, which would warrant a release of the buffer, have not crystallised at this stage.

The Bank will continue to monitor developments closely. Having the CCyB in place provides scope for its release, should it be required in response to a materialisation of risks. A release of the CCyB would support the banking system to better withstand adverse shocks without restricting the supply of credit to the economy. On the other hand, the CCyB could be increased above 1.5 per cent were the Bank to deem that cyclical risks were becoming elevated.

[1] The 1.5 per cent rate on Irish exposures will come into effect in June 2024 having been initially announced in June 2023.
[2] For further information see the Central Bank's framework for macroprudential capital and CCyB addendum.