



EUROPEAN CENTRAL BANK

EUROSYSTEM

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Policy and Financial Stability

The current global and European financial cycle: where do we stand and how do we move forward?

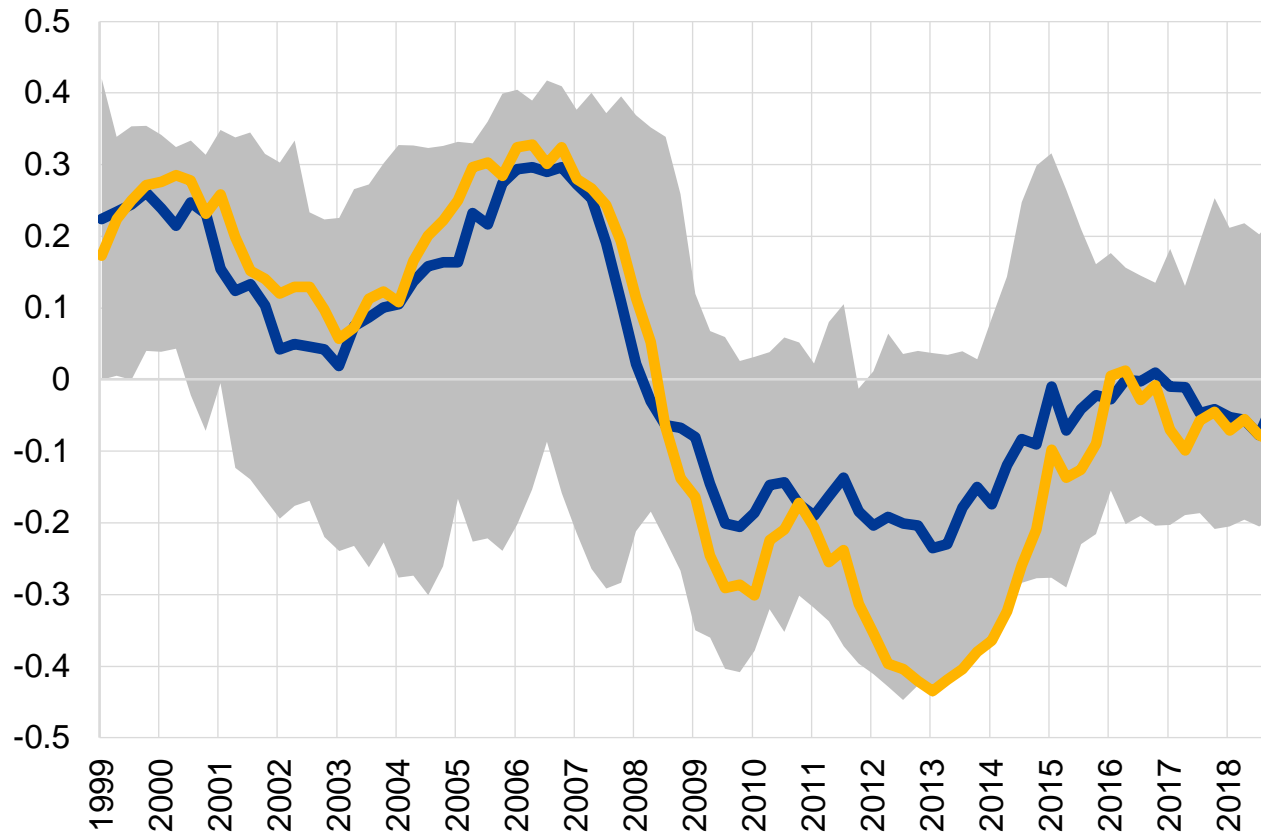
The euro area financial cycle

BNB/BIS Conference on occasion of 140th anniversary
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Sofia, 8 July 2019

Considerable heterogeneity of financial cycles across EA countries

Deviations from historical median

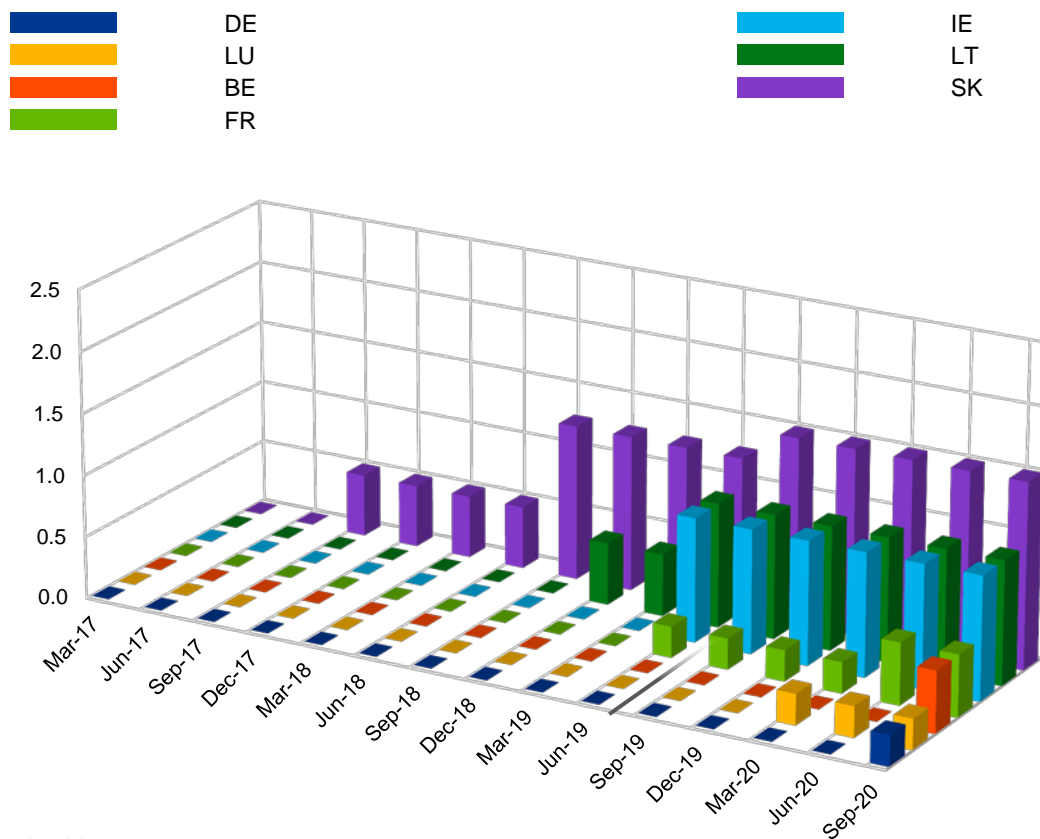


Sources: ECB and ECB calculations.

Notes: Latest observations Q4 2018. Based on six-quarter moving averages of quarter-on-quarter growth rates of total real credit to the non-financial private sector and real house prices and using as y-scale historical 'percentiles'. Equal weights of both components

Some countries have started to activate the Countercyclical Capital Buffer recently

Countercyclical capital buffers (CCyB) in countries that have announced an activation of the CCyB
Q1 2017-Q3 2020, (planned) implementation dates, in percentage points of risk-weighted assets



Sources: ECB, national authorities.

Decomposition of bank CET1 capital ratios

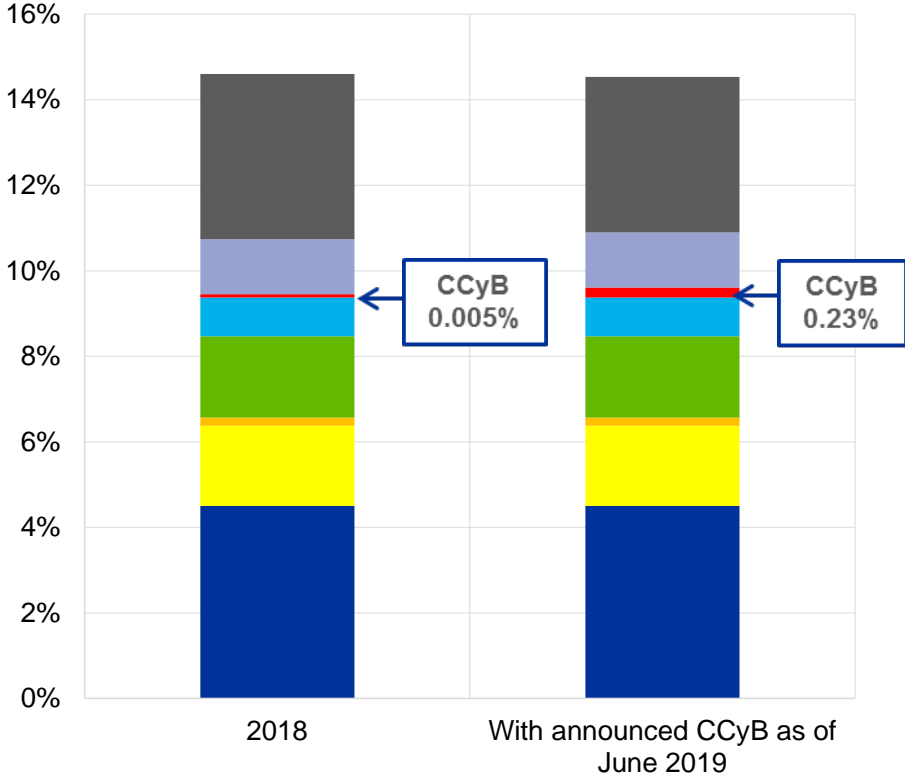
Percentage points of risk-weighted assets

The CCyB is a very small component of the combined buffer requirement

“Usability” of existing buffers doubtful

=> Lack of space to react to major downturn/crisis

- Pillar 1
- P2R
- AT1/T2 shortfall (excess of P2G)
- CCoB
- G-SII/O-SII/SRB
- CCyB
- P2G
- Voluntary buffer



Sources: ECB.

Notes: AT1 stands for additional Tier 1, T2 for Tier 2 and P2R for Pillar 2 requirement. CCyB and SRB requirements are not adjusted for exposures, but are considered at the consolidated level. The buffers for 2018 refer to the end of the year.



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