NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

QUARTERLY COMMENTARY ON MACROPRUDENTIAL POLICY

APRIL 2019

SUMMARY OF THE NBS BANK BOARD'S DECISION
ON THE SETTING OF THE COUNTERCYCLICAL CAPITAL BUFFER RATE

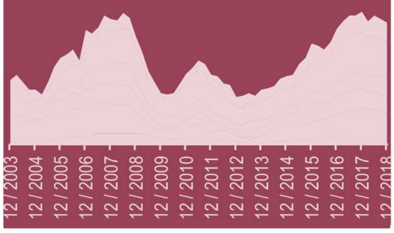
No change to the buffer rate

- Credit market risks continued to mount in the fourth quarter of 2018, but at a slower pace
- Trend indicators for the credit and financial cycles fell slightly, but remained close to historical highs
- Factors stimulating loan demand growth (economic overheating and lower interest rates) remained present, while macroprudential policy tightening and the gradual saturation of the household credit market had a dampening effect

Current and future buffer rates

- The buffer rate until 31 July 2019: **1.25%**
- The buffer rate from 1 August 2019: **1.50%**

The financial cycle



- The cycle's expansionary phase continued in the fourth quarter of 2018
- Cyclical risk was high in all areas:
  - strong credit growth
  - increasing household indebtedness
  - continuing residential property price growth
  - rising risk appetite among borrowers and lenders
  - overheating of the labour market

Outlook for next quarter's buffer rate decision

- Key factors will be cyclical risk developments in the credit market, in property prices and in macroeconomic imbalances
- If the risks that have built up remain elevated, the NBS Bank Board may consider increasing the CCyB rate

Contents

Introduction

A sound financial system is a prerequisite for a well-functioning economy and sustainable economic growth. The financial sector fulfils certain basic and vital functions in the economy (providing financing, enabling saving and investment, operating payment systems, etc.). A financial system cannot be sound unless it is stable**,** the **financial stability** is a prerequisite for the sound financial system, i.e. the financial sector is sufficiently resilient to potential shocks and risks that could in certain circumstances disrupt the sector's functioning and thus have adverse repercussions on the economy. The purpose of macroprudential policy is to deploy various tools to support financial stability, mainly by increasing the financial system's resilience and by mitigating the build-up of systemic risks. To that end, macroprudential policy aims to identify, monitor, assess and reduce systemic risks to the financial system.

The purpose of the Quarterly Commentary on Macroprudential Policy (QMPC) is to monitor current developments in the financial market – focusing mainly on the credit market – **and to evaluate systemic risk trends** related to these developments. The Commentary provides an analytical assessment of the situation and developments in the financial market. The assessment is structured according to the 'intermediate objectives' set out in Recommendation ESRB/2013/1 of the European Systemic Risk Board. This quantitative and qualitative assessment takes into account the information available for the fourth quarter of 2018. The Commentary is referred to by the Bank Board of Národná banka Slovenska (NBS) when taking its quarterly decision on the setting of the countercyclical capital buffer (CCyB) rate. The Commentary's analytical assessment may also be referred to for decisions on activating or changing other macroprudential policy instruments. The document is divided into three parts: i) a brief analysis and evaluation of the most significant systemic risk-related developments which occurred during the quarter under review; ii) the current setting of, and any changes to, macroprudential policy instruments, including the latest decision on the setting of the CCyB rate; iii) a table showing the macroprudential policy objectives under review.

1 Assessment of developments in the fourth quarter of 2018

The financial market continued in its expansionary phase in the fourth quarter of 2018, although there was some slowdown in the build-up of cyclical risks. Private sector credit growth[1] moderated, year on year, to 8.5% in the fourth quarter (from 8.7% in the third quarter). In absolute terms, however, the increase in total loans to the private sector remained stable, at around €4.3 billion. Annual growth in loans to households remained in double digits in the fourth quarter, at 10.3%, while maintaining the gradual downward trend observed throughout the year (its rate in the third quarter was 11%). As for loans to non-financial corporations (NFCs), their annual growth increased to 5.1 in the fourth quarter, after following a downward path for one and a half of years (and after registering 4.7% in the third quarter). Despite these trends, private sector credit growth in the fourth quarter of 2018 was higher in Slovakia than in any other EU country; it exceeded the EU average of 2.3% and also the average for central and eastern European countries (5.4%).

Factors stimulating loan demand are still present in the economy. The ongoing favourable macroeconomic trends and gradual economic overheating (evident mainly in the labour market) are strongly supporting growth in demand for loans. Other factors putting upward pressure on that demand include low interest rates and strong competition in the credit market. On the other hand, credit growth is moderating under the combined effected of tighter macroprudential policy and gradual saturation of the household credit market. In addition, there was no “frontloading” effect in the fourth quarter, whereas in the second and third quarters households had been stepping up their borrowing ahead of the tightening of regulatory lending standards from July 2018.

Indebtedness trends were heterogeneous across segments of the private sector in the fourth quarter of 2018. Household indebtedness maintained its long-term upward path (increasing by 0.3 percentage point to 42.2% of GDP in the fourth quarter). By contrast, corporate indebtedness fell by 0.7 percentage point, to 53.3% of GDP, since growth in loans to NFCs was lower than economic growth. Despite this fall in corporate indebtedness, Slovakia in 2018[2] remained among the five EU countries with the fastest growing private sector debt. While most EU countries recorded a decline in their private debt-to-GDP ratio in 2018, Slovakia was one of eight in which the ratio increased.

Further evidence that risks related to the financial cycle’s expansionary phase continued in the fourth quarter of 2018, albeit more moderately than in previous quarters, is provided by the Cyclogram, a composite indicator of the financial cycle. Although the Cyclogram’s value fell for a second successive quarter, it remained close to its historical high. Its elevated level has been supported mainly by strong macroeconomic trends, the level of indebtedness, low credit risk costs, and residential property market trends. The current downward pressure on the Cyclogram is coming from the slowdown in credit market growth, developments in corporate indebtedness, and the deterioration in economic sentiment at the end of 2018. At the same time, the indicator is under upward pressure from the current low level of credit risk losses. The benchmark CCyB rate based on this indicator was 2% at the end of 2018.

Despite experiencing interest margin compression, the banking sector managed to moderately increase its aggregate profit in 2018 (by 6.9% year on year), and almost all banks reported a profit for

[1] Loans provided by domestic banks to the household sector (S.14 and S.15) and the non-financial corporations sector (S.11) in Slovakia (source: banks’ reporting – statement V (NBS) 33 - 12).

[2] Data are for the first three quarters of 2018.

the year. In response to the decline in interest margins caused by persisting low interest rates, banks have for a long time been increasing their lending activity. Although this strategy is helping banks maintain profit levels, it is increasing the sector's vulnerability to risks of a cyclical nature. At the same time, banks' profit-making has in recent years benefited from very low credit risk costs. If these costs returned to the levels observed from 2013 to 2016, the banking sector's net profit would be 30% lower than current levels. The impact on small and medium-sized banks, which are particularly vulnerable to this risk, could be twice as high as that. **The banking sector's total capital ratio fell moderately over the course of 2018,** down to 18.2% at the year-end (from 18.6% at the end of 2017). The sector's total capital ratio is now below the median for banking sectors of EU countries.

The fourth quarter of 2018 saw a further build-up of liquidity risk. Another corollary of the financial cycle's upswing has been an increase in liquidity risk. Owing to strong growth in long-term loans, the maturity mismatch between assets and liabilities with a maturity of up to one year reached new historical highs in the fourth quarter, while the liquid assets covering that gap continued to decline. Systemic liquidity risk was also increasing in the area of stable funding, with the banking sector's loan-to-deposit (LTD) ratio fluctuating at around historical highs.

The current risks in the financial market are largely related to the financial cycle's expansionary phase. Although economic growth in both Slovakia and Europe as a whole slowed towards the end of the year, the Slovak economy is now operating above potential and **it is expected to continue overheating**. Such an environment is seeing an increasing build-up of risks that will materialise when the cycle turns, which may happen, for example, due to a **significant slowdown in global demand.** The risk of a "**hard Brexit"** has moderated for a while, following the postponement of the deadline for the United Kingdom's withdrawal from the European Union. At the same time, however, **risks of a geopolitical nature** that could weigh on global demand remain present, as does the **escalation of protectionist policies** in international trade.

2 Macroprudential policy decisions

2.1 Latest NBS decision taken with respect to developments in the quarter under review

On 30 April 2019 the NBS Bank Board decided that the CCyB rate, which is due to be raised to 1.5% on 1 August 2019, will remain at that level beyond 1 May 2020. In taking its decision on the CCyB rate, the NBS Bank Board gave due consideration to the views of the European Central Bank (ECB) in accordance with Article 5 of the SSM Regulation.[3]

Limitations of benchmark buffer rates based on credit-gap-based indicators

Since 2014, when it began setting a CCyB rate, Národná banka Slovenska has been noting the shortcomings of the Basel gap – an indicator recommended under the regulatory framework – and the Basel gap's unsuitability as a guide to setting the CCyB rate for Slovak exposures. Hence, for CCyB rate-setting purposes, NBS has been using an alternative indicator of its own construction – the **domestic credit-to-GDP$_{trend}$ gap** – while being cognizant of the **technical constraints and limits of the indicator's use**. At present, with the financial cycle in a persisting expansionary phase, the limitations of credit-gap-based indicators are becoming increasingly apparent. Given the technical properties of the trend estimation technique (an HP filter), strong credit growth is leading to gradual overestimation in the indicators' long-term trend. As a result, at such phases of the financial cycle, **benchmark buffer rates** based on credit-gap-based indicators have a tendency to indicate underestimated levels of the CCyB rate. This phenomenon cannot be interpreted in economic terms, but rather arises from the methodological limitation of the indicator in question. NBS has therefore decided to base its CCyB rate-setting decisions on the Cyclogram, which encompasses a broader range of factors and indicators that more comprehensively map financial cycle development. **Henceforth, the domestic credit-to-GDP$_{trend}$ gap and the benchmark buffer rate based on it will not be referred to in the main text of the QCMP, though their values will continue to be stated in the Annex.**

2.2 Current instrument settings

Countercyclical capital buffer

Under NBS Decision No 8/2017 of 10 July 2017, the CCyB rate was set at 1.25% with effect from 1 August 2018.[4]

Table 1 CCyB rates for Slovak exposures

Period of application	Rate
1 August 2018 – 31 July 2019	1.25%
1 August 2019 –	1.50%

Source: NBS.

[3] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

[4] https://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/8_2017_EN.pdf

An overview of current and future CCyB rate settings in other countries is given in

Table 5 in the Annex.

Buffers for significant banks

Under NBS Decision Nos 5/2017 and 6/2017 of 30 May 2017, banks in Slovakia identified as 'other systemically important institutions' (O-SIIs) have been required since 1 January 2018 to maintain a total additional capital buffer (comprising an O-SII buffer and in some cases also a systemic risk buffer) of between 1% and 2% of risk-weighted exposures. Under NBS Decision Nos 4/2018 and 5/2018[5] of 29 May 2018, the total additional capital buffer requirements will remain unchanged from 1 January 2019.[6]

Table 2 Overview of rates for O-SII buffers and systemic risk buffers (SRBs) applied to selected banks in Slovakia

	O-SII buffers effective from 1 January 2018	SRBs effective from 1 January 2018
Československá obchodná banka, a.s.	1.00%	-
Poštová banka, a.s.	1.00%	-
Slovenská sporiteľňa, a.s.	1.00%	1.00%
Tatra banka, a.s.	0.50%	1.00%
Všeobecná úverová banka, a.s.	1.00%	1.00%

Source: NBS.

Regulatory conditions for retail lending

On 29 May 2018 the NBS Bank Board approved a Decree amending the NBS Consumer Loan Decree and a Decree amending the NBS Housing Loan Decree. The new decrees tighten regulatory loan-to-value (LTV) ratio limits. Thus, the provision of loans with an LTV ratio greater than 90% is prohibited, and the percentage of new loans that may have an LTV ratio of between 80% and 90% is reduced. In addition, the Decrees introduce a new debt-to-income (DTI) ratio limit, set at 8. There is a general exemption from this limit that will be gradually tightened. The Decrees entered into force on 1 July 2018. As of 1 January 2019, in accordance with these amendments, the maximum share of new housing loans with an LTV ratio of more than 80% was reduced to 25% and the maximum share of new loans with a DTI ratio greater than 8 was reduced to 10%. **The tightening of regulatory requirements for retail lending is being phased in on schedule.**

5 https://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/4-2018.pdf
https://www.nbs.sk/_img/Documents/_Dohlad/Makropolitika/5-2018.pdf

6 The next NBS Decisions on the settings of O-SII buffer rates and systemic risk buffer rates will be adopted in May 2019.

Table 3 Regulatory limits on credit standards

Indicator	Calculation	Parameter	Limit
Debt service-to-income (DSTI) ratio	$\frac{\text{total debt service obligations}^{1)}}{\text{net income} - \text{minimum subsistence amount}}$	Maximum DSTI ratio	80%[2)]
Loan-to-value (LTV) ratio[3)]	$\frac{\text{amount of loan}}{\text{value of collateral}}$	Maximum LTV ratio	90%
		Maximum share of new loans with an LTV ratio > 80%	H1 2019: 25% From July 2019: 20%
Debt-to-income (DTI) ratio	$\frac{\text{total debt}}{\text{annual net income}}$	Maximum share of new loans with a DTI ratio > 8	H1 2018: 10% From 1 July 2019: 5% + 5%[4)]
Maximum term of loan		Loan with immovable property collateral or provided by a home savings bank	30 years[5)]
		Other loan	8 years

Source: NBS.

Notes: Compliance with the limits is checked only when granting a new loan, or when significantly increasing the total amount of an existing loan. The measures do not apply to loans that are to be used to refinance one or more existing loans, nor to loans that are to be topped up, provided that the amount of the loan applied for does not exceed €2000 or 5% of the outstanding amounts, whichever is lower.

1) The amount of loan instalments takes into account interest rate increases.

2) DSTI ratios may exceed 100% in the following cases:

- consumer loans where the sum of the loan applied for and the borrower's existing debt does not exceed the borrower's annual net income;
- leasing contracts that include a down payment of at least 20% and where the sum of the lease and the borrower's existing debt is not greater than 1.5 times the borrower's annual income.

3) The limit applies only to housing loans.

4) For the first 5%, no additional conditions apply. For the second 5%, the loans provided must be housing loans, the borrower must not be older than 35 years, the borrower's income must not exceed 1.3 times the average wage, and the debt-to-income ratio may not be greater than 9.

5) Up to 10% of new loans secured by immovable property may exceed this limit.

Other currently applicable macroprudential policy instruments, covering mainly the area of capital requirements, are listed in Tables 4 to 6 in the Annex.

2.3 Potential application of macroprudential policy instruments over the medium term

Retail lending

Národná banka Slovenska has adopted several measures in regard to retail lending (outlined above), the purpose of which is to contain the build-up of risks related to excessive credit growth. The limits introduced by these measures are now being gradually tightened. At this stage, it is necessary to monitor the credit market following the commencement of the measures.

Expectations for the CCyB rate in the next quarter

The benchmark buffer rate based on the principal indicator (the Cyclogram) is now **significantly higher** than the approved setting of the CCyB rate (1.5% from 1 August 2019).

Although relative **growth in loans to households is gradually easing**, and the **rate of increase in the private sector debt-to-GDP ratio is also moderating**, the credit market remains in **an advanced expansionary phase**. While the measures adopted so far have **mitigated the increase in cyclical risks**, these risks have **continued to build up**. In other words, since the most recent decision to increase the CCyB rate, the level of cyclical risks has increased further, albeit at a more moderate pace. The extremely low levels of interest rates and default rates have resulted in both lenders and borrower being overly **optimistic** in their **perception of risk**. The expected **continuation of overheating in the economy**, including in the housing market, is expected to put upward pressure on the financial cycle in the period ahead, and therefore to increase the vulnerability of banks and their customers to any change in the cycle. Macro stress testing has provided further evidence of **the banking sector's heightened vulnerability** to any turn in the business or financial cycle.

In the next quarter, the key determinants for the setting of the CCyB rate will be cyclical risk developments in the credit market, in property prices, and in macroeconomic imbalances. If current trends continue, the NBS Bank Board may consider raising the CCyB rate.

2.4 Recent ECB decisions concerning the Slovak banking sector

As of 24 April 2019 the European Central Bank had not issued any macroprudential policy decision concerning the Slovak banking sector.

3 Macroprudential policy objectives

Objectives	Risks	NBS response
To mitigate and prevent excessive credit growth	Household and NFC debt growth; lending to the NFC sector, including commercial real estate lending; risks related to macroeconomic developments at home and abroad and to financial market trends	· Activated countercyclical capital buffer (set at 1.25% until 31 July 2019 and at 1.5% from 1 August 2019) · Decrees concerning the prudential provision of housing loans and consumer loans (introduction of lending limits and tightening of LTV ratios)
To strengthen the resilience of the financial system	Business model sustainability; macroeconomic developments at home and abroad	· Capital conservation buffer implemented at a rate of 2.5% · Activated countercyclical capital buffer (set at 1.25% until 31 July 2019 and at 1.5% from 1 August 2019) · Application of O-SII buffers, and in some cases also an SRB, to the five largest banks · Decrees concerning the prudential provision of housing loans and consumer loans (introduction of lending limits and tightening of LTV ratios)
To mitigate and prevent excessive maturity mismatch in banks' balance sheets and market illiquidity	Increasing maturity mismatch between assets and liabilities; increase in long-term assets as a result of credit growth; rising loan-to-deposit ratios	· A new legislative framework for the issuance of covered bonds, with a potential positive impact on the stability of banks' long-term funding
To limit direct and indirect exposure concentrations	Relatively high concentration in (part of) the portfolio, or higher intra-group exposure, in certain institutions or funds	· Additional capital buffers applied to the five largest banks on grounds of their systemic importance – comprising O-SII buffers and in some cases also a SRB
To limit the systemic impact of misaligned incentives with a view to reducing moral hazard	Existence of banks that are too large from the view of the global/domestic economy; increasing linkages between financial entities and financial brokers; under the EU's banking union, the potential relaxing of EU regulatory rules for banks that are subsidiaries of foreign banks, particularly in the areas of liquidity, capital, and large exposures; risks in non-bank sectors	· Application of O-SII buffers, and in some cases also an SRB, to the five largest banks · The Housing Loan Act and Consumer Credit Act require financial institutions to take a prudential approach when cooperating with financial brokers · Supervision of non-bank lenders · Since 2015, significant strengthening of NBS's competences and supervisory powers in regard to financial consumer protection
To strengthen the resilience of financial infrastructures	Functioning of payment systems; level of deposit coverage; impact on financial stability of digital innovation in financial services	

Note: Legend for the importance of the objectives: High Medium Low.

Annex

Table 4 Capital buffer rates currently applied in Slovakia

Macroprudential instrument	Value	Note
Capital conservation buffer (Article 33b of the Banking Act)	2.5%	
Countercyclical capital buffer rate (Article 33g of the Banking Act)	1.25%	To be increased to 1.5% as from 1 August 2019
O-SII buffer (Article 33d of the Banking Act)[1]	0.5% to 1%	
Systemic risk buffer (Article 33e of the Banking Act)[2]	1%	

Source: NBS.

[1] An O-SII buffer is applied to Československá obchodná banka, a.s., Poštová banka, a.s., Slovenská sporiteľňa, a.s., Tatra banka, a.s. and Všeobecná úverová banka, a.s.

[2] A systemic risk buffer is applied to Slovenská sporiteľňa, a.s., Tatra banka, a.s. and Všeobecná úverová banka, a.s.

Table 5 Countercyclical capital buffer (CCyB) rates currently applied to external exposures (Articles 33i and 33j of the Banking Act) and changes scheduled for these rates in coming quarters

	Country	30 Jun. 2018	30 Sep. 2018	31 Dec. 2018	31 Mar. 2019	30 Jun. 2019	30 Sep. 2019	31 Dec. 2019	31 Mar. 2020	30 Jun. 2020	Note
EEA countries	Czech Republic	0.5	1	1	1.25	1.25	1.5	1.5	1.75	1.75	↑ to 1.25% from 1 January 2019, ↑ to 1.5% from 1 July 2019, ↑ to 1.75% from 1 January 2020
	Bulgaria	0	0	0	0	0	0	0.5	0.5	1	↑ to 0.5% from 1 October 2019, ↑ to 1% from 1 April 2020
	Denmark	0	0	0	0.5	0.5	1	1	1	1	↑ to 0.5% from 31 March 2019 ↑ to 1% from 30 September 2019
	France	0	0	0	0	0	0.25	0.25	0.25	0.5	↑ to 0.25% from 1 July 2019, ↑ to 0.5% from 2 April 2020
	Ireland	0	0	0	0	0	1	1	1	1	↑ to 1% from 5 July 2019
	Lithuania	0	0	0.5	0.5	1	1	1	1	1	↑ to 1% from 30 June 2019
	Luxemburg	0	0	0	0	0	0	0	0.25	0.25	↑ to 0.25% from 1 January 2020
	United Kingdom	0.5	0.5	1	1	1	1	1	1	1	
	Sweden	2	2	2	2	2	2.5	2.5	2.5	2.5	↑ to 2.5% from 19 September 2019
Non-EEA	Iceland	1.25	1.25	1.25	1.25	1.75	1.75	1,75	1.75	1.75	↑ to 1.75% from 15 May 2019
	Hong Kong	1.875	1.875	1.875	2.5	2.5	2.5	2.5	2.5	2.5	↑ to 2.5% from 1 January 2019
	Norway	2	2	2	2	2	2	2.5	2.5	2.5	↑ to 2.5% from 31 December 2019

Sources: ESRB and BIS.
The table shows only countries where a non-zero CCyB rate has been set.
The scheduled rates are based on decisions currently in force; they may, however, be changed by subsequent decisions.

Table 6 Buffers and parameters which are currently applied to exposures to foreign countries and are also applied to Slovak banks

Country	Macroprudential instrument	Value
Estonia	Systemic risk buffer (Article 33f of the Banking Act)	1%
Sweden, Romania	Risk weight for exposures fully secured by mortgages on commercial immovable property (Article 124 of the EU's 2013 Capital Requirements Regulation/CRR)	100%
Norway	Minimum value of the exposure weighted average loss given default (LGD) for all retail exposures secured by residential property and not benefiting from guarantees from central governments (Article 164 of the CRR)	20%

Sources: NBS and ESRB.

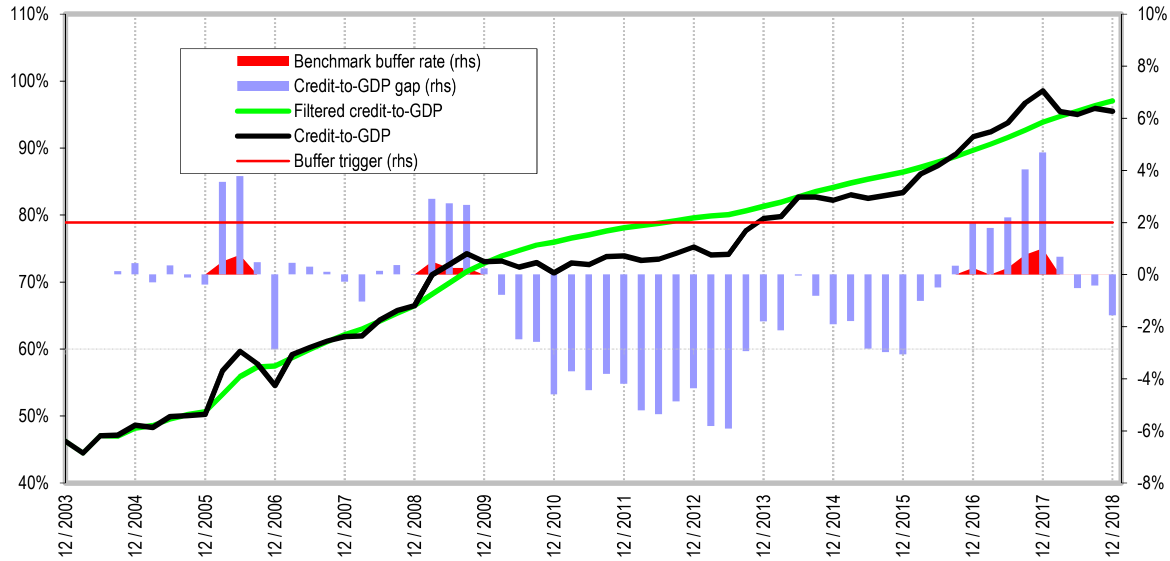
Table 7 Macroprudential measures currently in force in other EU countries but not applied to Slovak banks on grounds of low exposure

Country	Macroprudential instrument	Value
Belgium	A risk-weight add-on for retail exposures secured by residential immovable property located in Belgium, applied to banks using the internal ratings-based (IRB) approach (Article 458(2)(d)(vi) of the CRR)	5 p.p. + 33% of average risk weight
Finland	A floor for the average risk weight for exposures secured by residential immovable property located in Finland, applied to banks using the IRB approach (Article 458(2)(d)(vi) of the CRR)	15%
France	A tightening of the large exposure limit applicable to exposures to highly indebted large non-financial corporations having their registered office in France, applied to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs) (Article 458(2)(d)(ii) of the CRR) **In this regard, NBS warns that there are systemic risks associated with the increased leverage of large NFCs having their registered office in France[7]**	5% of eligible capital
Sweden	A floor for the average risk weight for the portfolio of retail exposures to obligors residing in Sweden secured by immovable property, applied to banks using the IRB approach (Article 458(2)(d)(vi) of the CRR)	25%

Sources: NBS and ESRB.

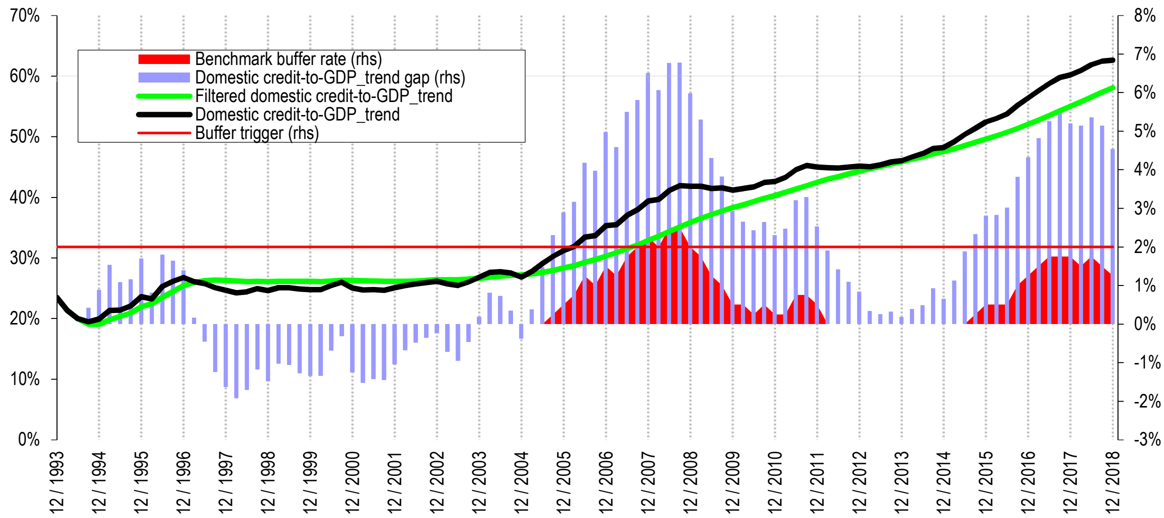
[7] Signalling in accordance with Recommendation ESRB/2015/2.

Chart 1 Standardised credit-to-GDP gap



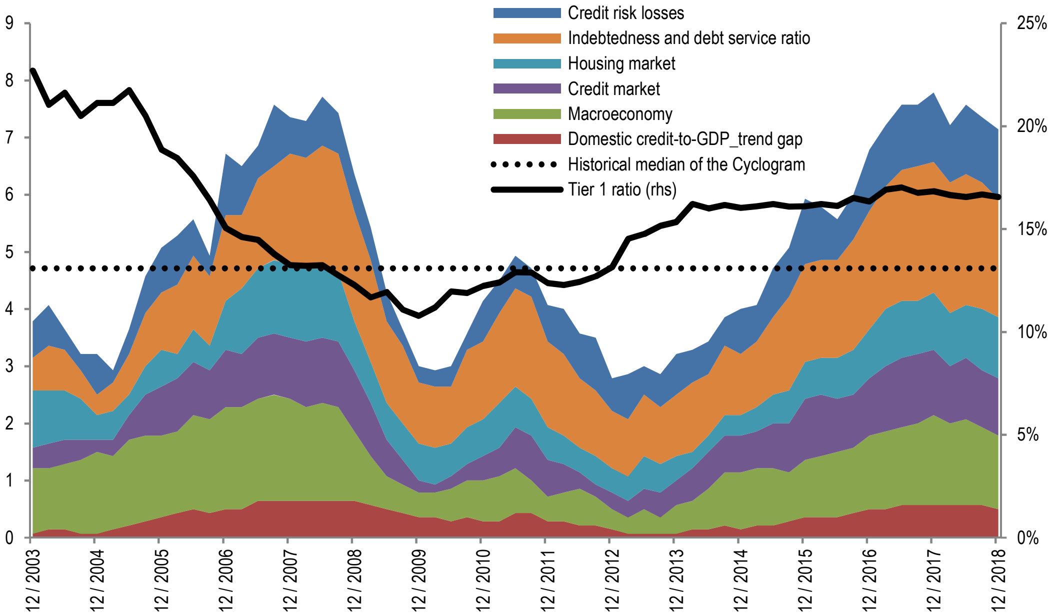
Sources: NBS and Statistical Office of the Slovak Republic (SO SR).
Notes:
In the standardised credit-to-GDP gap, credit refers to the total outstanding amount of debt of NFCs and households.
The benchmark buffer rate is calibrated in accordance with Part 2 of the Annex to Recommendation No ESRB/2014/1.
The trigger value for a non-zero CCyB and the values of the 'gap' are shown on the right-hand scale.
The standardised credit-to-GDP gap data differ slightly from the figures given in the January 2019 QCMP, owing to the incorporation of revised data for private sector debt.

Chart 2 Domestic credit-to-GDP$_{trend}$ gap



Sources: NBS and SO SR.
Notes:
In the domestic credit-to-GDP$_{trend}$ gap, domestic credit refers to total outstanding amount of credit provided by the domestic banking sector to NFCs and households.
The domestic credit-to-GDP$_{trend}$ gap is calculated in accordance with Article 33g(2a) of the Banking Act and with Recommendation B 2, of Recommendation No ESRB/2014/1.
The trigger value for a non-zero CCyB and the values of the 'gap' are shown on the right-hand scale.

Chart 3 Cyclogram



Sources: NBS, SO SR and CMN.
Note: The indicator is calculated in accordance with Article 33g(1c) of the Banking Act and with Recommendations C and D of Recommendation ESRB/2014/1.

Table 8 Headline indicators for the countercyclical capital buffer as at 31 December 2018

Indicator	Benchmark buffer rate	Credit-to-GDP ratio	Deviation of the credit-to-GDP ratio from its long-term trend
Standardised credit-to-GDP gap (Chart 1)	0.00%	95.5%	-1,57%
Domestic credit-to-GDP$_{trend}$ gap (Chart 2)	1.25%	60.7%	4.54%
Cyclogram (Chart 3)	2.00%		

Source: NBS.
Notes: The table is compiled on the basis of requirements arising from Article 33g(2) of the Banking Act and in accordance with Part II of the Annex to Recommendation ESRB/2014/1.
Owing to its short time series, the standardised credit-to-GDP gap does not yet provide a meaningful value for the countercyclical capital buffer. The standardised credit-to-GDP gap data differ slightly from the figures given in the January 2019 QCMP, owing to the incorporation of revised data for private sector debt.