



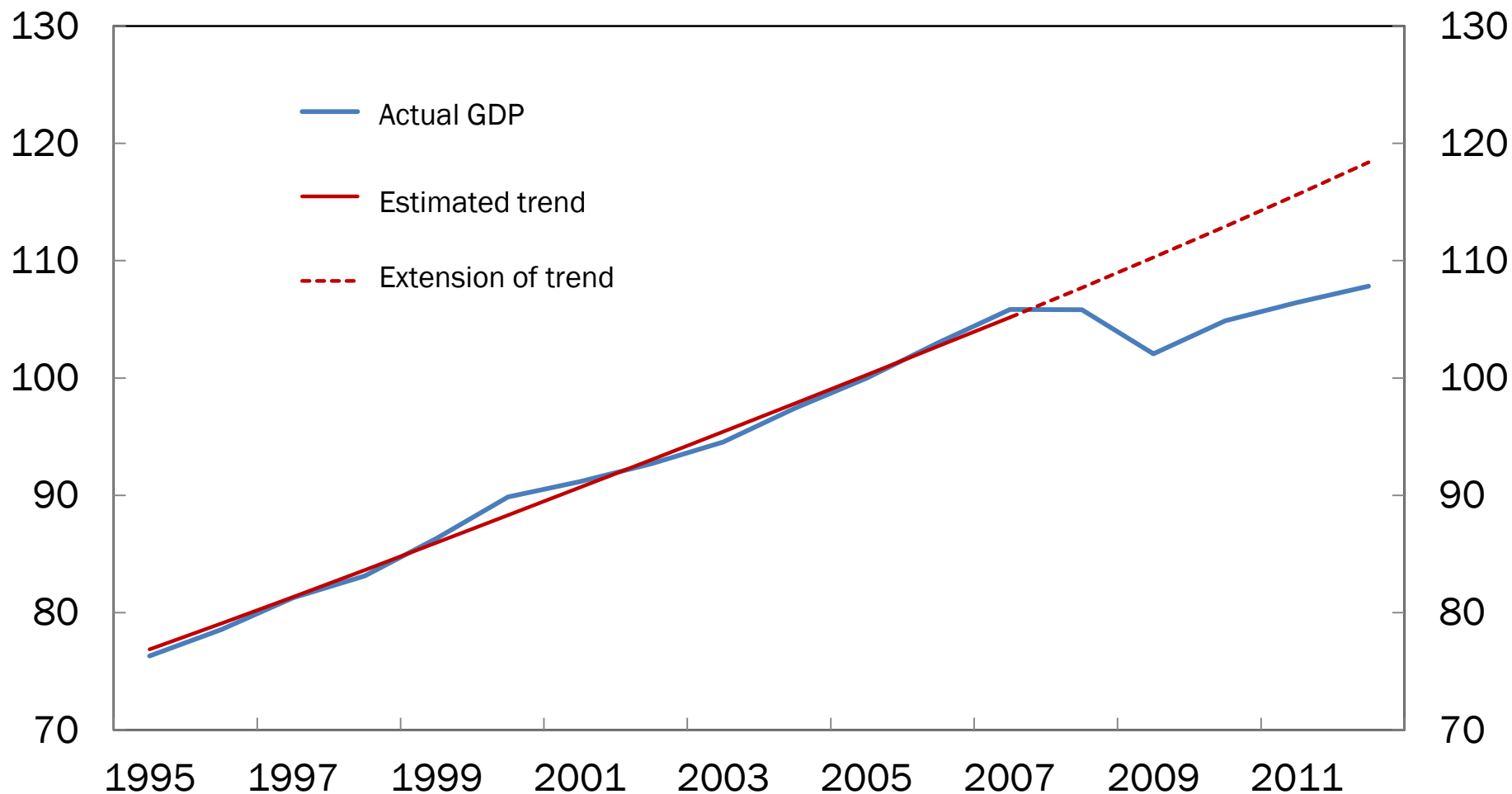
Countercyclical capital buffer – criteria for use and interaction with monetary policy

Governor Øystein Olsen

18 April 2013

GDP, advanced economies

Actual GDP and estimated trend. Index. 2005 = 100

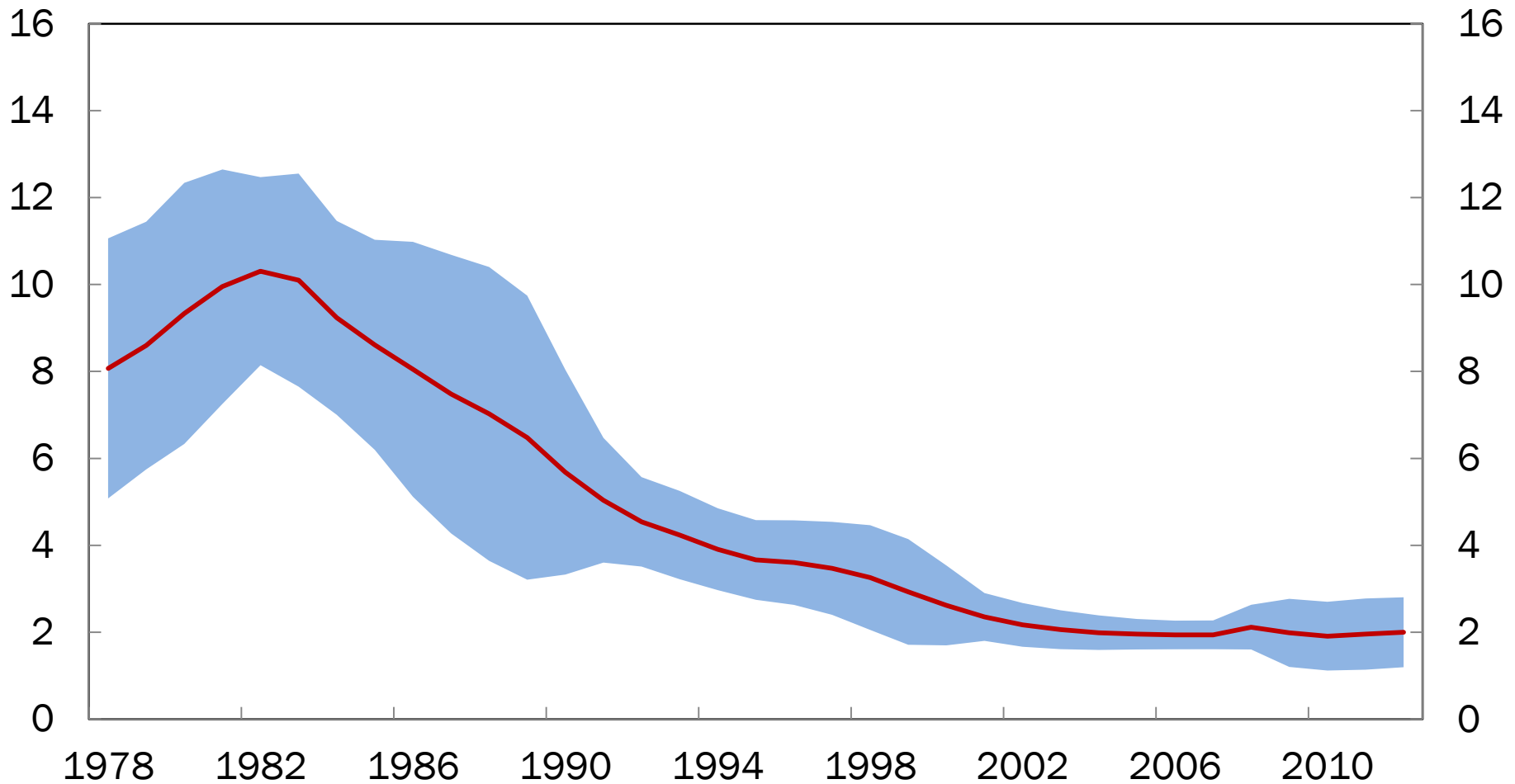


* Trend estimated using an HP filter on years from 1968 to 2007

Sources: IMF and Norges Bank

Consumer price inflation in advanced economies

12-month change. Percent. Moving 10-year average and variation*

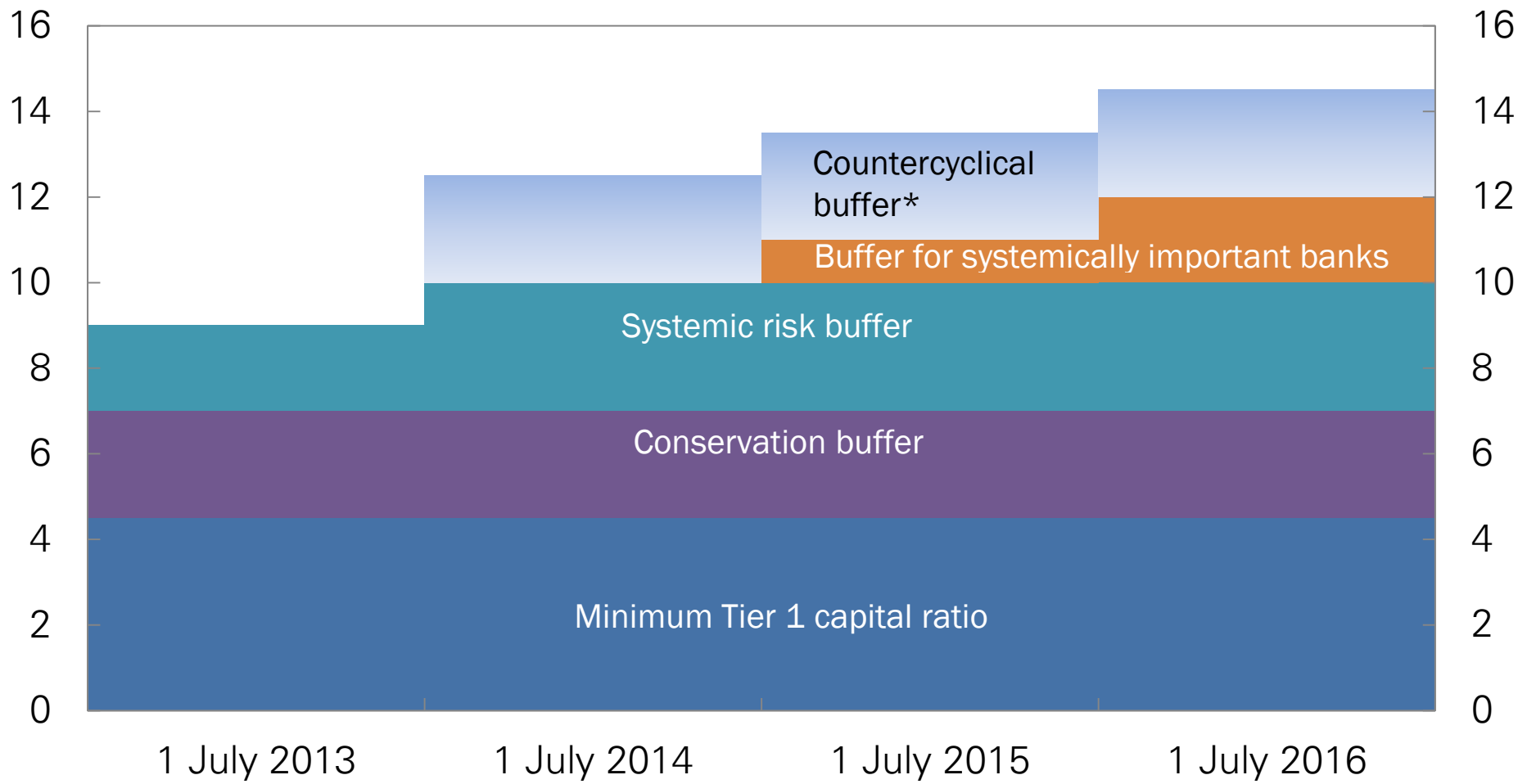


* The variation is measured as the average +/- one standard deviation

Sources: IMF and Norges Bank

New Common Equity Tier 1 (CET1) capital adequacy requirements – phasing-in

Percent



* As a general rule, the countercyclical buffer shall be between 0 and 2.5 percent

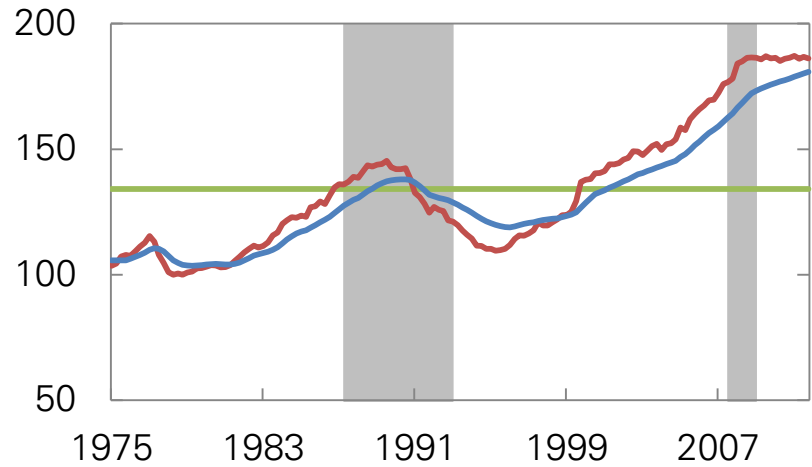
Source: Ministry of Finance

Criteria for an appropriate countercyclical capital buffer

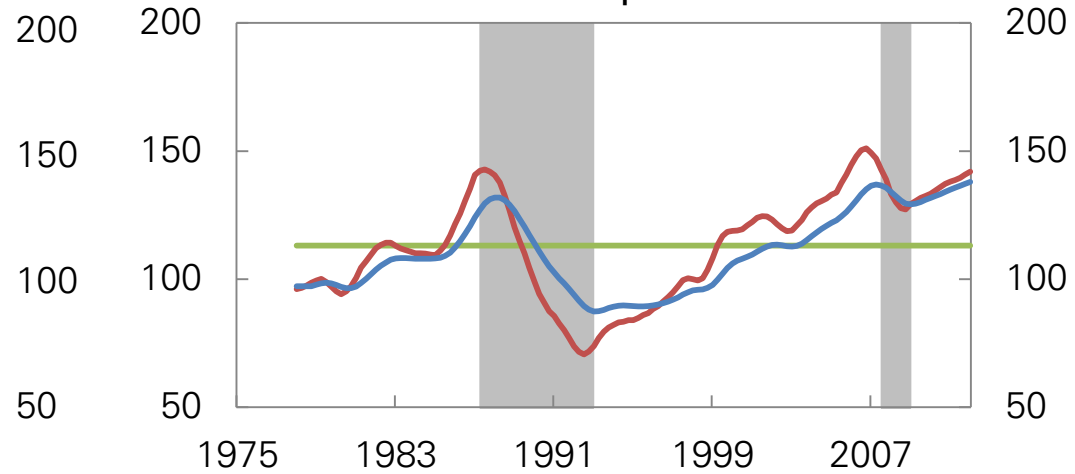
1. *Banks should become more resilient in good times*
 - ***... the requirement will be increased when financial imbalances are building up***
2. *The size of the buffer should be viewed in the light of other requirements applying to banks*
3. *Stress in the financial system should be alleviated*
 - ***... in the event of rising bank losses, the requirement will be decreased***

Key indicators for the countercyclical capital buffer

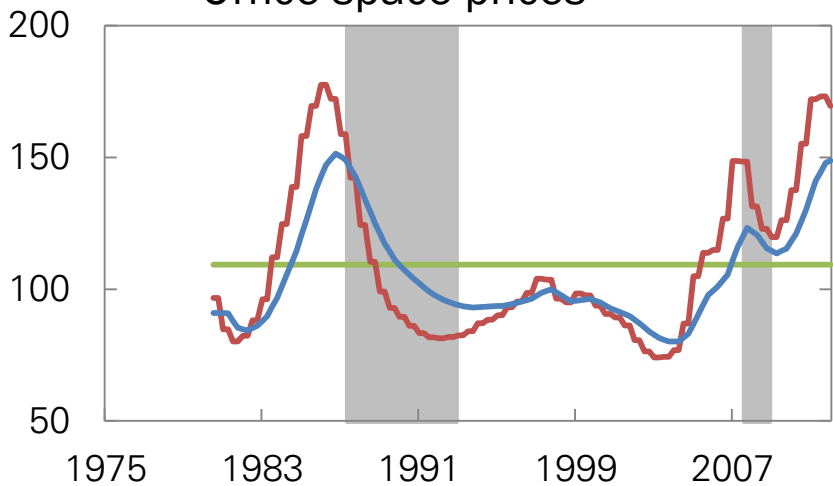
Credit/GDP



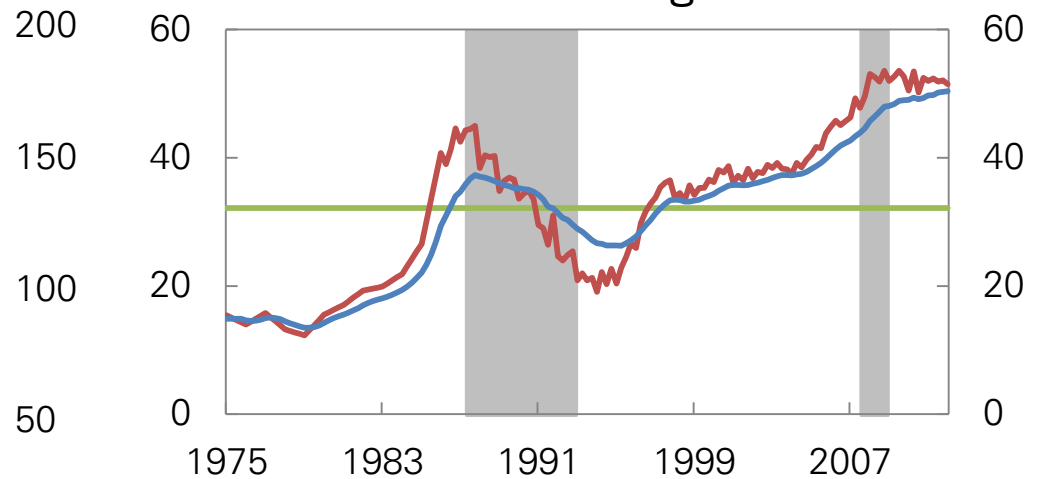
House prices



Office space prices



Wholesale funding



Sources: Statistics Norway, IMF, real estate industry in Norway and Norges Bank

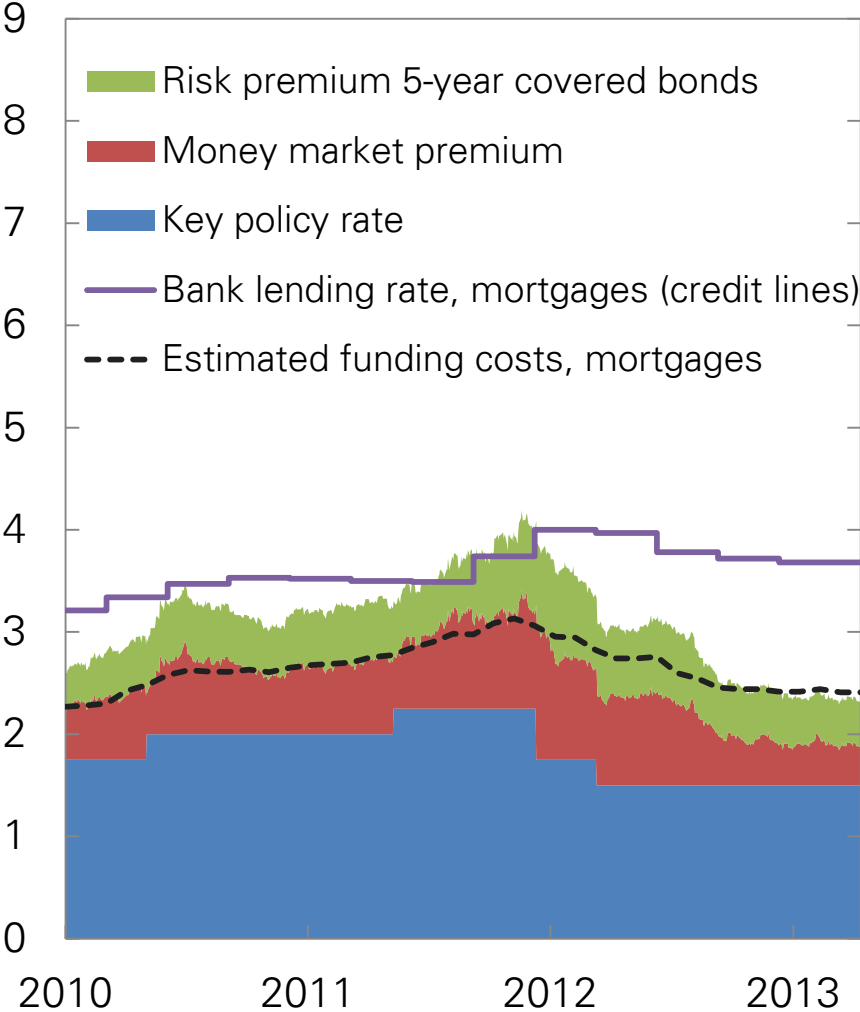
Ways for banks to boost capital ratios

- Raise additional capital
 - Equity issues
 - Retain earnings
 - Boost earnings/reduce costs
- Reduce risk-weighted assets
 - Curb lending growth
 - Shift to loans with a lower risk weight

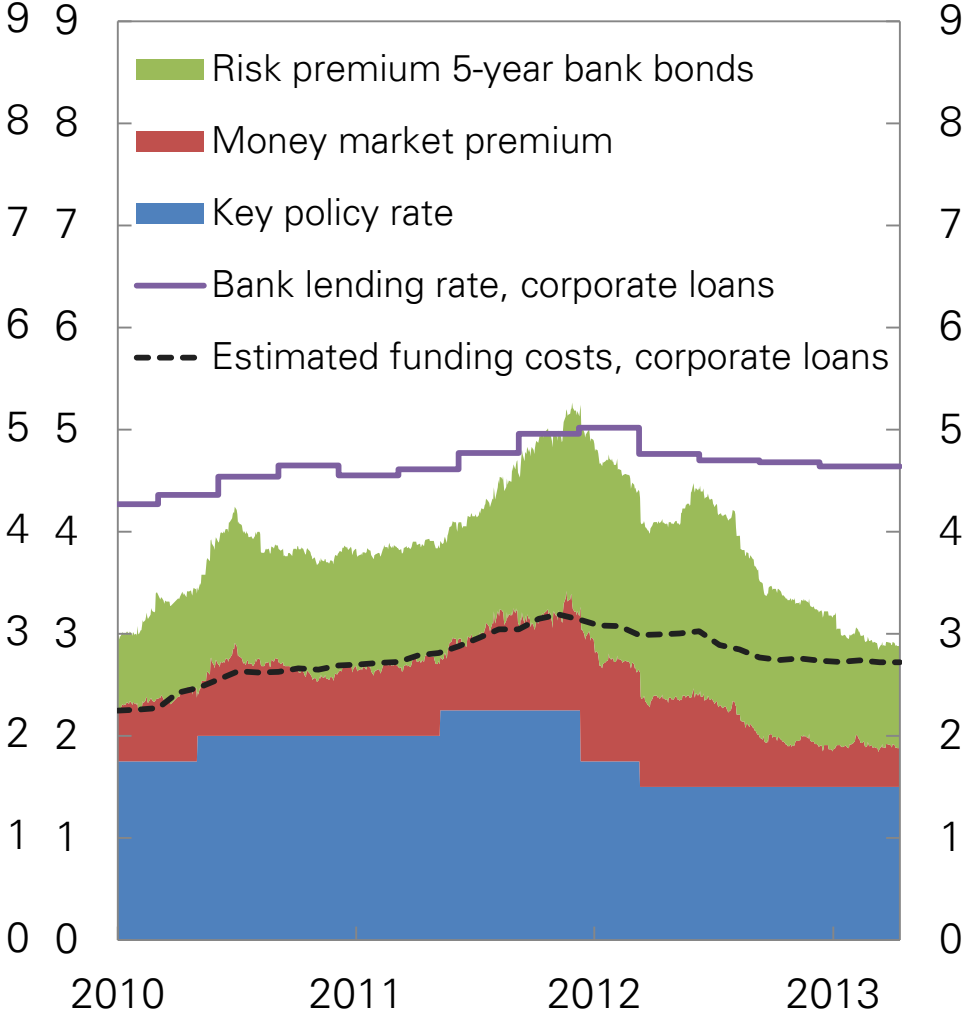
Bank interest margins

Percent

Households



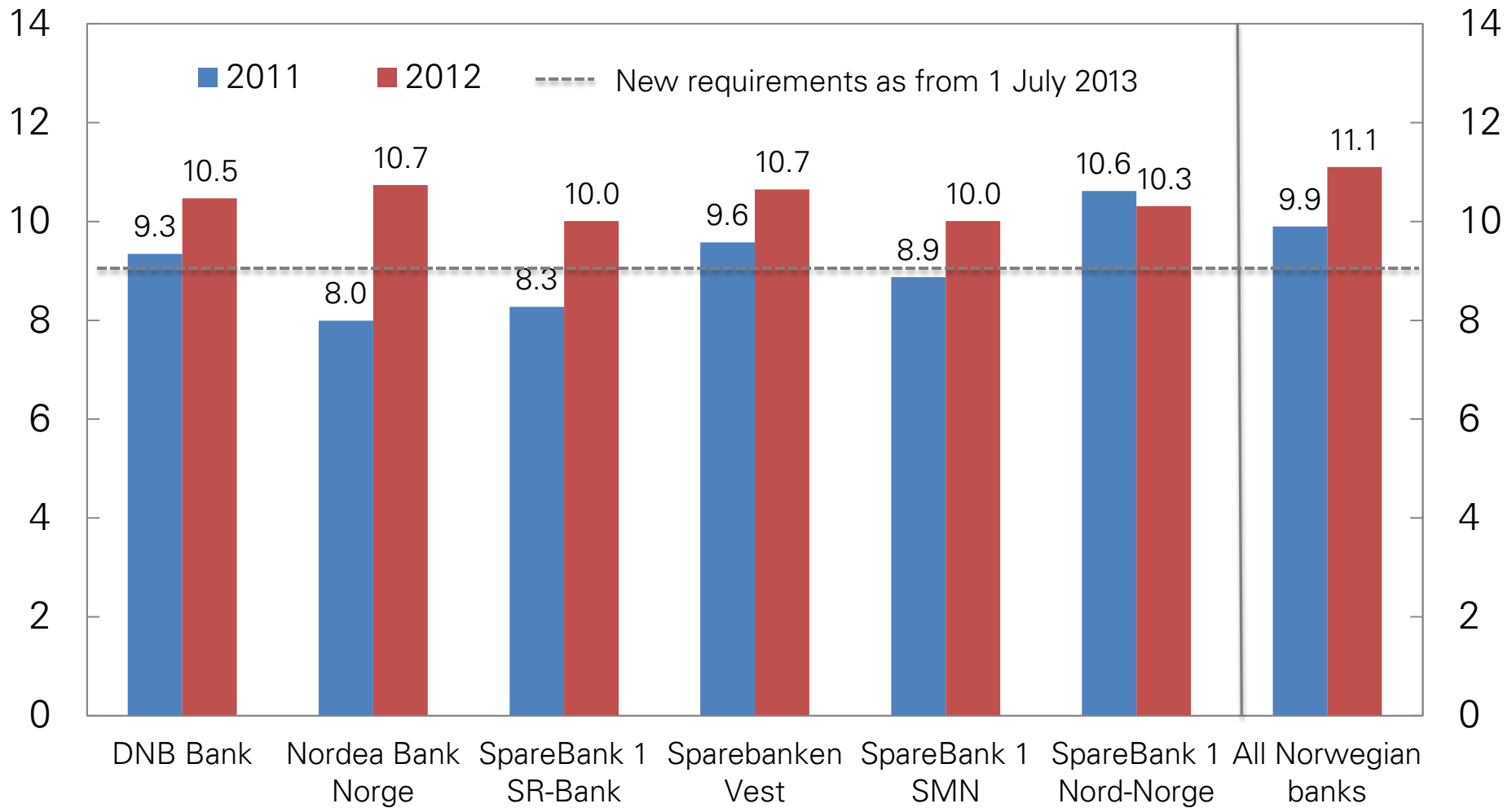
Enterprises



Sources: DNB Markets, Statistics Norway and Norges Bank

Common Equity Tier 1 capital ratio at year-end

Percent



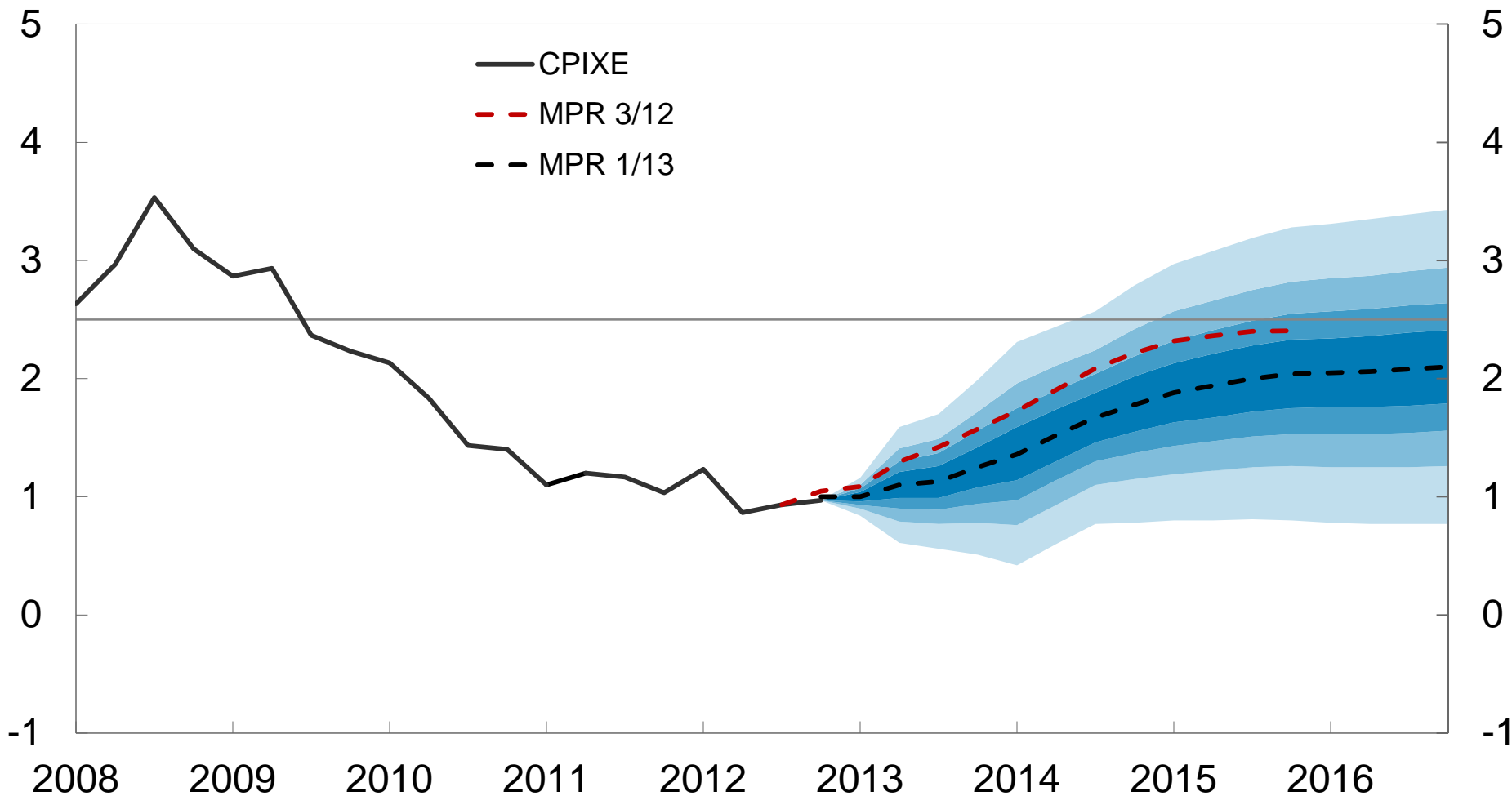
Sources: Banking groups' earnings reports, Finanstilsynet and Norges Bank

The monetary policy response pattern and criteria for an appropriate interest rate path

1. The inflation target is achieved
2. The inflation targeting regime is flexible
3. Monetary policy is robust

Inflation

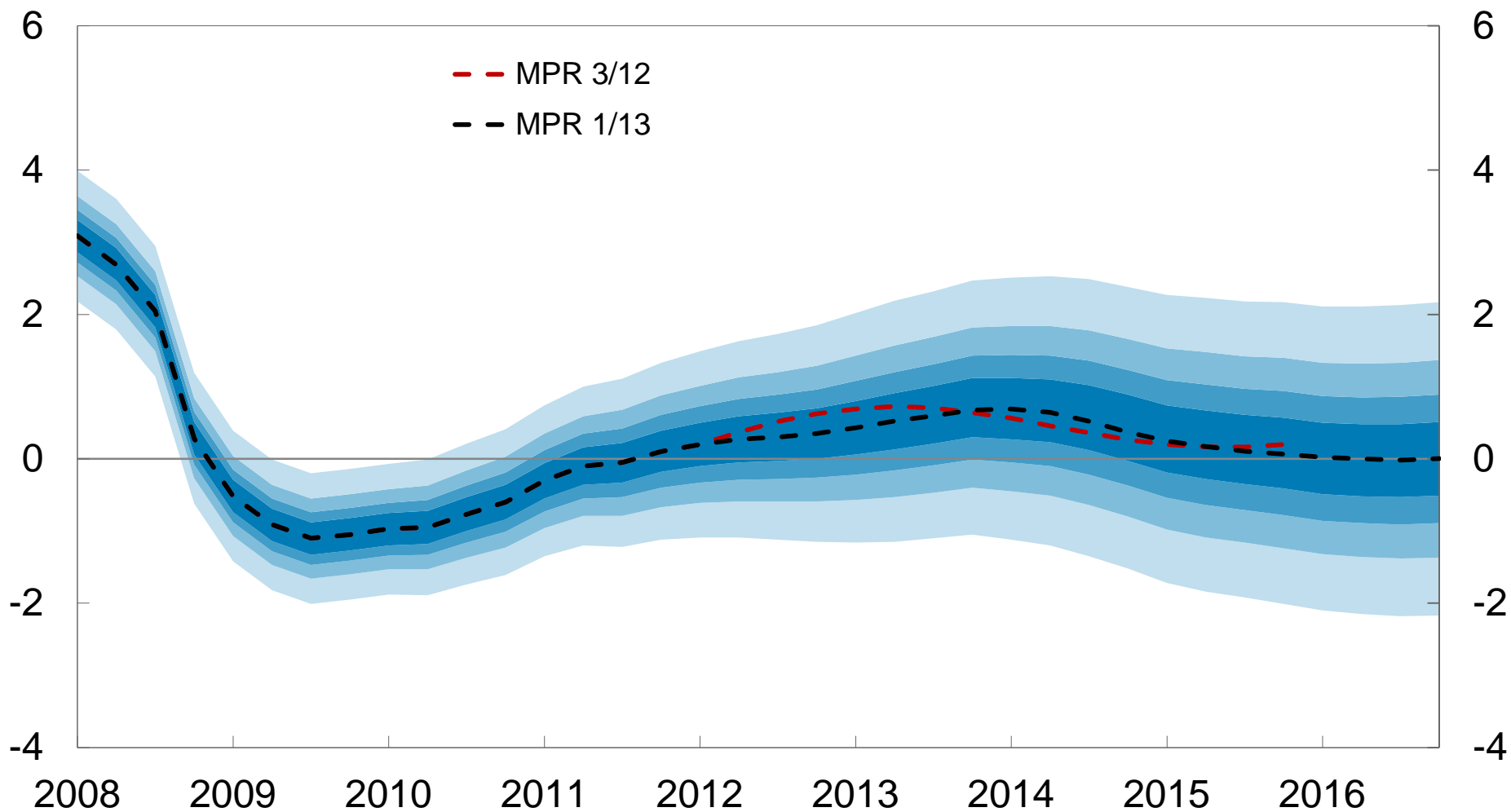
CPIXE. Four-quarter change. Percent



Sources: Statistics Norway and Norges Bank

Capacity utilisation

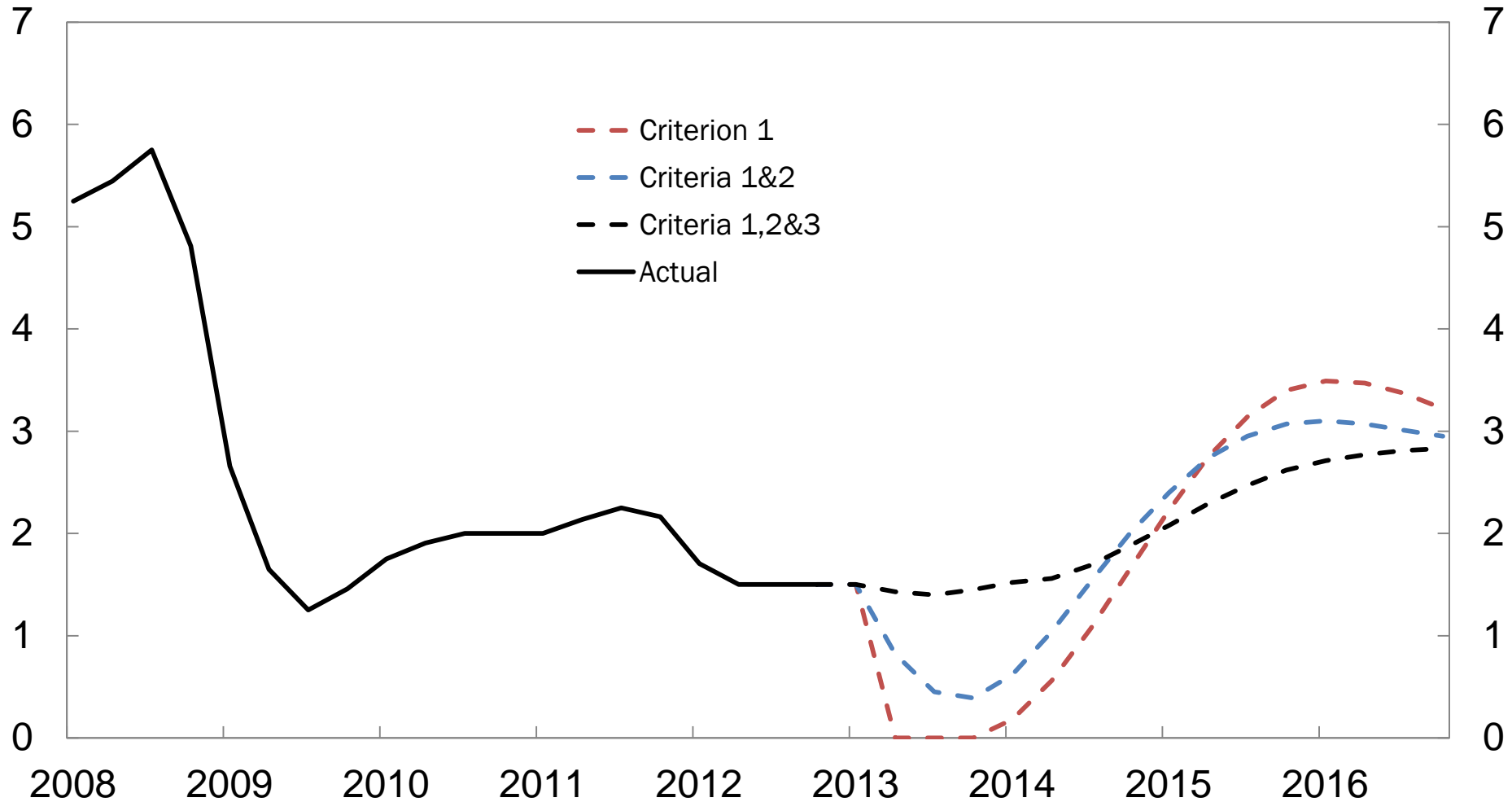
Output gap. Percent



Sources: Statistics Norway and Norges Bank

The interest rate path with different criteria

Percent



Source: Norges Bank



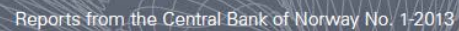
 NORGES BANK



Monetary Policy Report
with financial stability assessment



1 | 13
March



Reports from the Central Bank of Norway No. 1-2013



Countercyclical capital buffer – criteria for use and interaction with monetary policy

Governor Øystein Olsen

18 April 2013

