

# Press Release

By the Communications Directorate

Rome, 28 March 2025

## **The Countercyclical Capital Buffer (CCyB) rate for the second quarter of 2025 remains unchanged at zero per cent**

**Banca d'Italia deems that the countercyclical capital buffer rate in force for the current quarter, equal to zero per cent, is appropriate in the current macrofinancial context.<sup>1</sup>**

In the fourth quarter of 2024, the total credit-to-GDP gap, though improving, was still negative by about 11 percentage points, if calculated based on the methodology developed by Banca d'Italia. The bank credit-to-GDP ratio provides similar indications (Table 1 and Figures 1 and 2).<sup>2</sup>

The flow of bank lending to the private sector remains weak (Figure 3). The overall NPL ratio is still at historically low levels (Figure 4); the unemployment rate has increased but remains at its lowest level since 2007 (Figure 5). In the third quarter of 2024, real house prices rose compared with the previous quarter and the price gap turned positive again (Figure 6).

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<sup>1</sup> The rate concerns exposures to Italian counterparties. Banca d'Italia has exercised the regulatory option set out in Article 130(2) of Directive 2013/36/EU (CRD IV) in order to exempt small and medium-sized Italian investment firms from the countercyclical capital buffer, also bearing in mind their relative systemic riskiness.

<sup>2</sup> For the technical details, see the Methodological Appendix. The data reported in the table and the figures are available on the [Banca d'Italia's website](https://www.bancaditalia.it).

Table 1

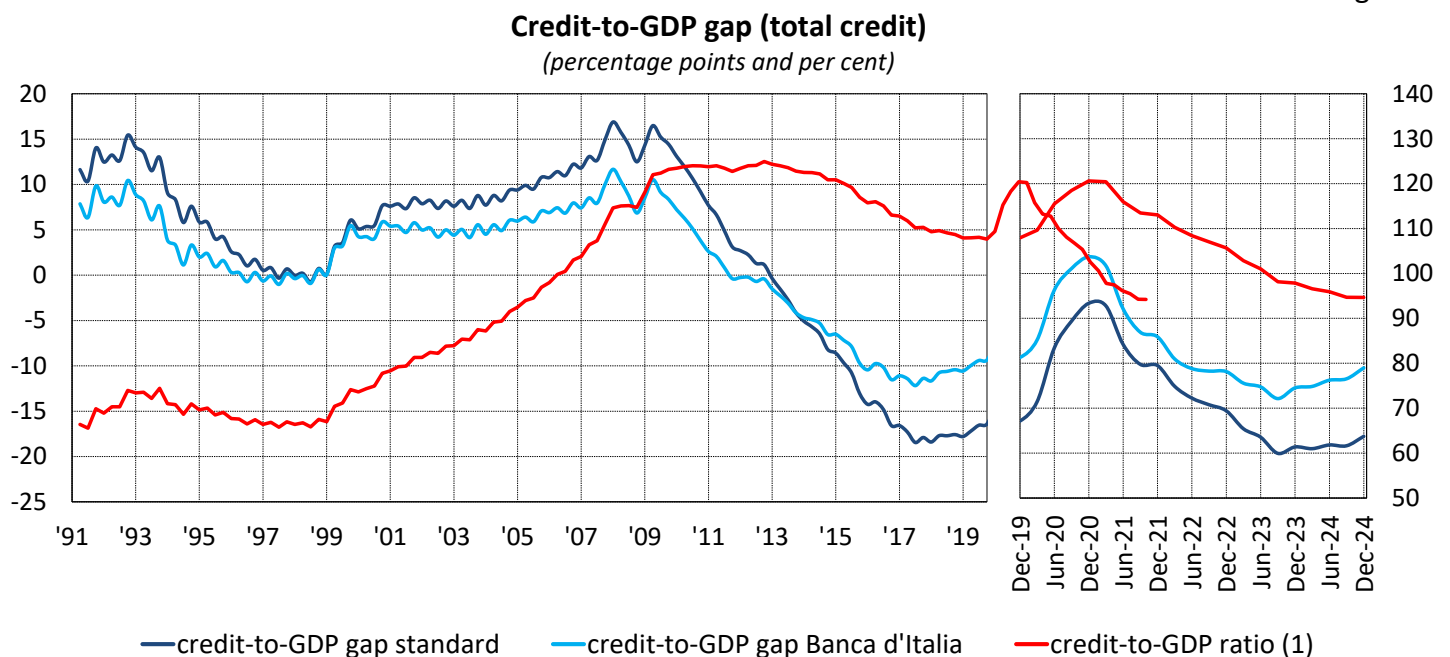
**Credit-to-GDP ratio and estimated credit-to-GDP gap (1)**  
(per cent and percentage points)

	Q4 2024 (2)	Q3 2024	Q2 2024
<b>Total credit</b>			
Credit-to-GDP ratio	94.7	94.7	95.9
Credit-to-GDP gap - standard	-18.1	-19.2	-19.1
Credit-to-GDP gap - Banca d'Italia	-10.5	-11.7	-11.9
<b>Bank credit</b>			
Credit-to-GDP ratio	58.4	58.6	59.4
Credit-to-GDP gap - standard	-14.8	-15.6	-15.8
Credit-to-GDP gap - Banca d'Italia	-8.4	-9.3	-9.7

Source: Banca d'Italia calculations.

(1) For the calculation method, see the Methodological Appendix. – (2) Total credit data are provisional.

Figure 1

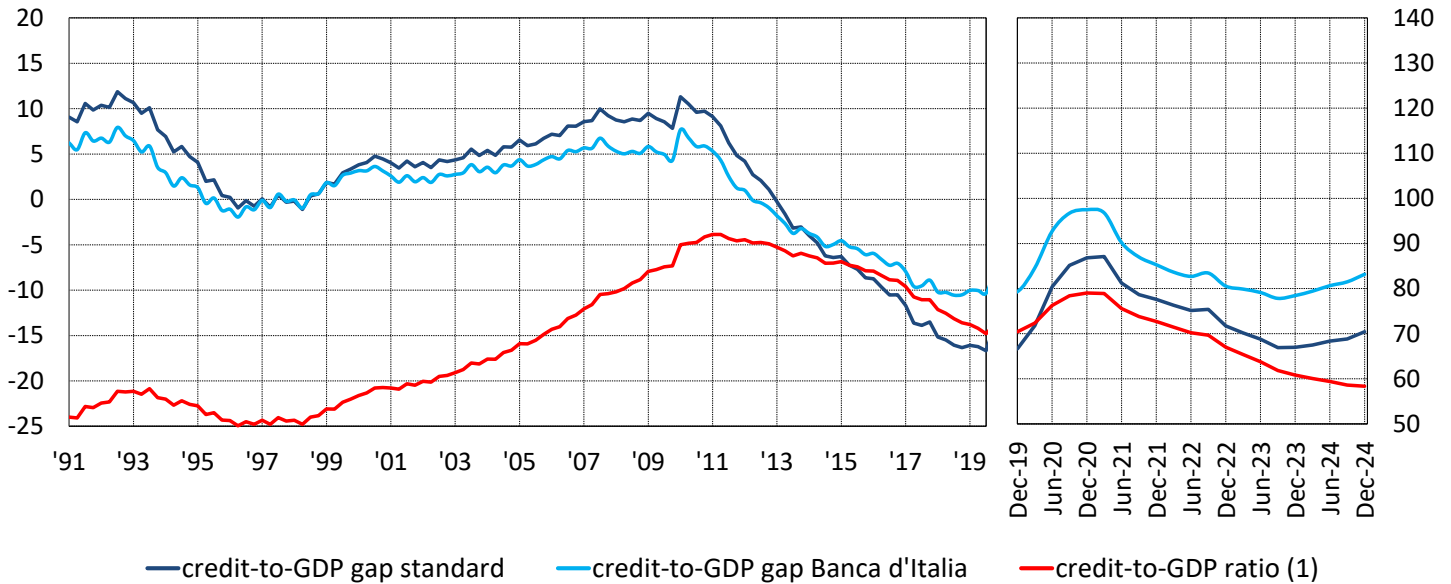


Source: Banca d'Italia calculations. Quarterly data.

(1) Right-hand scale.

Figure 2

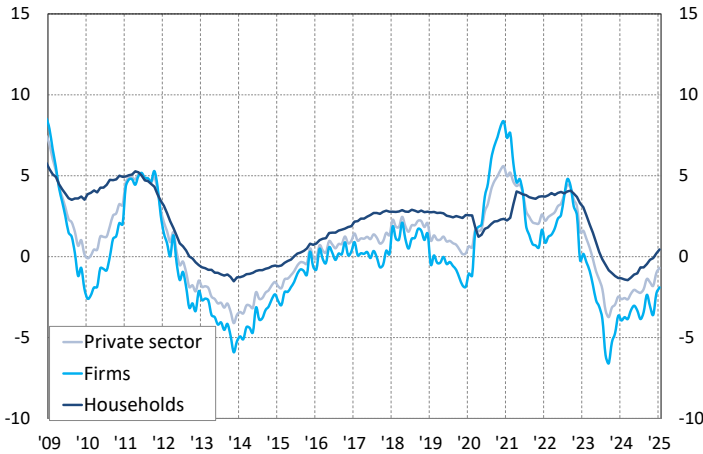
**Credit-to-GDP gap (bank credit)**  
(percentage points and per cent)



Source: Banca d'Italia calculations. Quarterly data.  
(1) Right-hand scale.

Figure 3

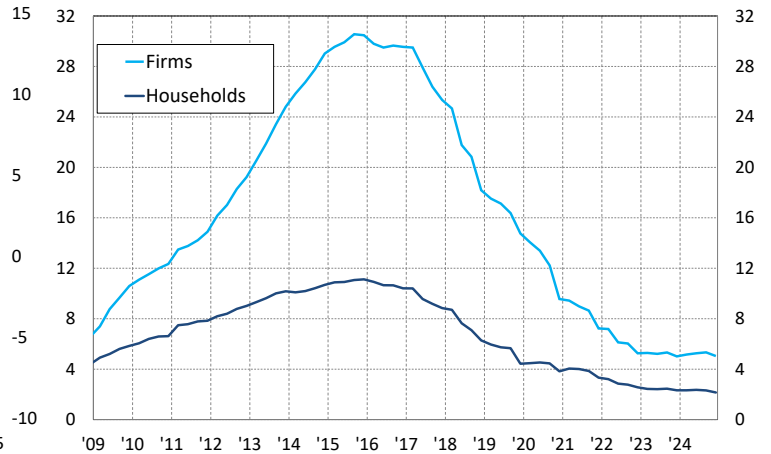
**Bank credit to the non-financial private sector (1)**  
(12-month percentage changes)



Source: Banca d'Italia calculations. Monthly data.  
(1) The variations are corrected to take account of reclassifications, value adjustments, and all other variations that do not originate from economic transactions.

Figure 4

**Credit quality (1)**  
(per cent)



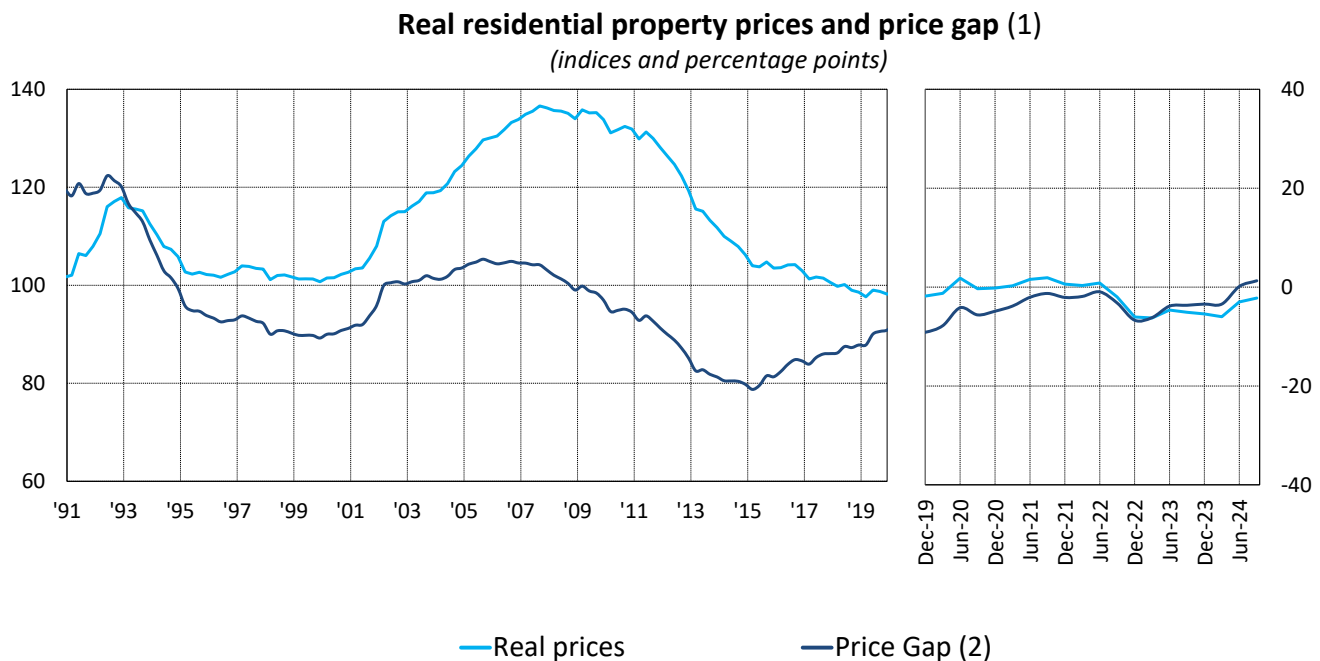
Source: Based on data from unconsolidated bank supervisory reports. Quarterly data.  
(1) Non-performing loans before write-downs, expressed as a ratio to total loans of the reference sector. The data relate to bank loans to residents and include 'non-current assets and groups of assets held for sale'.

Figure 5



Source: Istat. Monthly data.  
(1) Seasonally adjusted monthly unemployment rate.

Figure 6



Source: Banca d'Italia calculations. Quarterly data.  
(1) Index: 2020=100. The index is deflated by the total consumption deflator. – (2) The price gap is the percentage deviation of the real residential property price index from its long-term trend. Right-hand scale.

## Methodological Appendix

European legislation identifies the credit-to-GDP gap as the main indicator for setting the countercyclical capital buffer rate. It measures the credit cycle based on the deviation of the ratio of total credit to the non-financial private sector to GDP from its long-term trend, calculated using the standard methodology recommended by the Basel Committee on Banking Supervision. Recommendation ESRB/2014/1 of the European Systemic Risk Board of 18 June 2014 allows the designated authorities of EU countries to adopt non-standard credit-to-GDP gap measures in the event that the standardized gap does not accurately reflect the national financial cycle.

According to the standard methodology, the long-term trend is calculated using a one-sided Hodrick-Prescott (HP) filter in which estimates at every point in time are based only on current and past information.<sup>3</sup> An analysis of credit dynamics in Italy from 1970 to date reveals two problems with this methodology:

- a. The estimate of the credit cycle calculated in real time is systematically and significantly revised downwards when new data on credit and GDP become available. The one-sided HP filter is, in fact, very different from the two-sided filter (which uses information from the whole sample) and tends to overestimate cycle volatility.<sup>4</sup>
- b. The results suggest that expansionary phases in Italy last around 12 years on average; this is a much longer period than the one documented in the literature and is rather unrealistic.<sup>5</sup>

Although the two-sided HP filter cannot, by definition, be calculated in real time, its time series can still be used to obtain a better estimate of the state of the credit cycle by adjusting the value yielded by the one-sided HP filter on the basis of the historical differences observed between the estimates produced with the two filters, as suggested by Alessandri et al. (2015).<sup>6</sup>

This adjusted filter (credit-to-GDP gap – Banca d'Italia) produces real-time estimates that are closer to those obtained with the two-sided filter. The adjustments greatly reduce the estimated volatility of the credit cycle in Italy; notably, the peaks of the expansionary phases of the early 1990s and mid-2000s are much lower, both for total credit and for bank credit.

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<sup>3</sup> R. J. Hodrick and E. C. Prescott, 'Postwar U.S. Business Cycles: An Empirical Investigation', *Journal of Money, Credit, and Banking*, 29, 1, 1997, 1-16.

<sup>4</sup> As already pointed out in A. Orphanides and S. van Norden, 'The Unreliability of Output Gap Estimates in Real Time', *The Review of Economics and Statistics*, 84, 4, 2002, 569-583.

<sup>5</sup> According to S. Claessens, M. A. Kose and M. E. Terrones ('How Do Business and Financial Cycles Interact?', *Journal of International Economics*, 87, 1, 2012, 178-190), the expansionary phase of a financial cycle lasts two years on average; according to M. Drehmann, C. Borio and K. Tsatsaronis ('Characterising the Financial Cycle: Don't Lose Sight of the Medium Term!', BIS Working Papers, 380, 2012), the median duration is five and a half years.

<sup>6</sup> P. Alessandri, P. Bologna, R. Fiori and E. Sette, 'A note on the implementation of a countercyclical capital buffer in Italy', Banca d'Italia, Questioni di Economia e Finanza (Occasional Papers), 278, 2015.