THE COUNTERCYCLICAL CAPITAL BUFFER RATE

Eesti Pank's assessment of the countercyclical capital buffer rate (Q1 2026)

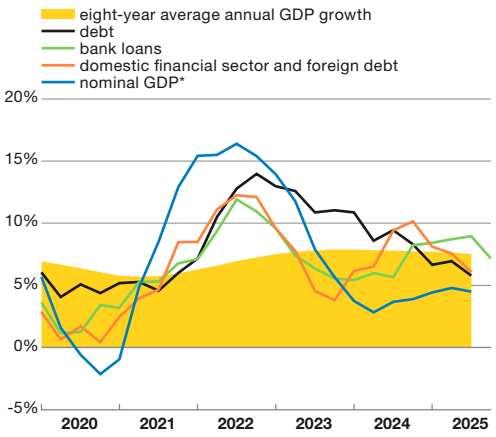
Eesti Pank is maintaining the countercyclical capital buffer for the banks at the level of 1.5%.

Reasoning for the buffer rate: growth has slowed in the debt of the non-financial sector, but it still remains fast given the growth in the economy. The debt-to-GDP ratio has increased. Geopolitical tensions mean the banks need to maintain larger capital buffers to ensure their resilience.

- The applicable countercyclical capital buffer rate: **1.5%**
- The gap between the growth in debt and the growth in long-term nominal GDP: **–1.7 pp**
- The debt-to-GDP ratio: **123%** (change in the quarter **+1.1 pp**, change over the year **+1.5 pp**)
- The buffer benchmark rate: **1%**

The growth in the total debt of the non-financial sector slowed to 6% in the third quarter of 2025, which was slower than the long-term nominal GDP growth[1] of 7.5% (see Figure 1). The growth in debt is still notably faster than current nominal growth in the economy though, and so indebtedness increased by 1 percentage point in the third quarter to 123%.

Figure 1. Annual growth of credit aggregates and nominal GDP

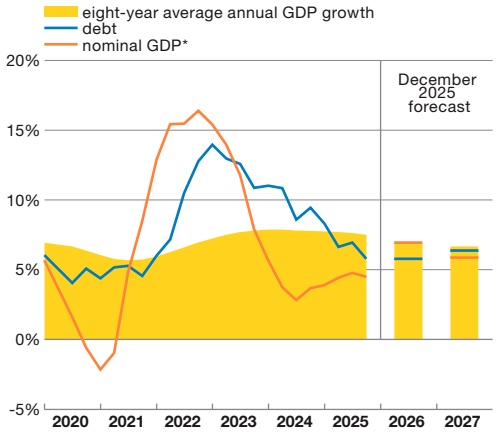


* Four-quarter moving average yearly GDP growth
Sources: Eesti Pank, Statistics Estonia

Growth in lending by banks to the non-financial sector slowed to 7.2% in the fourth quarter, but this indicates that borrowing activity is still strong even so. Growth in lending was slower because the growth in the corporate loan portfolio was more moderate than before at 5.7%. Yearly growth in the portfolio of loans to companies in real estate and construction remained fast at the same time and was around 10% in the fourth quarter. The portfolio of housing loans to households has also grown further fast, and yearly growth in it was at 10%.

Growth in the debt of the non-financial sector is forecast to equalise with the long-term average nominal growth in the economy over the next two years (see Figure 2). Growth in corporate debt will be slower than long-term economic growth in the next two years, while growth in household debt will be faster.

Figure 2. Annual growth in non-financial sector debt and nominal GDP



* Four-quarter moving average yearly GDP growth
Sources: Eesti Pank, Statistics Estonia

In summary, Eesti Pank currently considers it necessary to maintain the countercyclical buffer rate at 1.5%. Although growth has slowed in the debt of the non-financial sector, it still remains fast given the growth in the economy. The debt of the non-financial sector is currently growing faster than nominal GDP, and so debt has increased as a ratio to GDP. Geopolitical risks also need to be considered, as they make it necessary for the banks to maintain their current large capital buffers to ensure their resilience.

1 In assessing the countercyclical capital buffer requirement, Eesti Pank uses average nominal GDP growth over the past eight years as long-term GDP growth.