

Disclaimer: This factsheet has not been subject to the full Eurofound evaluation, editorial and publication process.

Factsheet for case **NO-2020-11/800**

Countercyclical capital buffer is reduced

Factsheet generated on 06 May 2020, 22:19

Country	Norway, applies nationwide
Time period	Open ended, started on 13 March 2020
Type	Legislation or other statutory regulation
Category	Supporting businesses to stay afloat – Access to finance
Case created	27 April 2020 (updated 05 May 2020)

Background information

The Ministry of Finance has decided to follow Norges Bank's advice to reduce the countercyclical capital buffer requirement for banks from 2.5 to 1 per cent with immediate effect. In Norges Bank's estimation, there is a risk of a marked setback in the Norwegian economy as a result of the outbreak of the coronavirus. The buffer requirement is lowered to counteract a tightening of lending practices in the banks. The social partners have been consulted regularly during design and implementation of the measure.

Content of measure

Norges Bank's Monetary Policy and Financial Stability Committee has decided to advise the Ministry of Finance to reduce the buffer rate to 1.0 percent. Norges Bank shall advise the Ministry of Finance on the level of the countercyclical capital buffer for banks. The countercyclical capital buffer rate is currently 2.5 percent. In recent weeks, there has been considerable financial market volatility. The outbreak of coronavirus (Covid-19) and the measures to limit contagion will have a significant negative impact on growth in the Norwegian economy. There is substantial uncertainty about the duration and the consequences of the outbreak, with a risk of a pronounced economic downturn. Norwegian banks are solid. They have sufficient capital to absorb losses in the event of a severe downturn. A tightening of lending standards may, however, amplify the downturn in the economy. Against this background, the Committee has decided to advise the Ministry of Finance to reduce the buffer to 1.0 percent with immediate effect. The decision was unanimous.

Use of measure

No information to date.

Actors, target groups and funding

Actors	Target groups	Funding
National government	Sector specific set of companies	No special funding required

Social partners

Role of social partners	Consulted
Form of involvement	Direct consultation

Social partners have been consulted regularly during design and implementation of the measure.

Sectors and occupations

This case is sector-specific.

Economic area	Sector (NACE level 2)
K - Financial And Insurance Activities	K64 Financial service activities, except insurance and pension funding

This case is not occupation-specific.

Sources

- 13 April 2020: Advice on the countercyclical capital buffer 2020 Q1 (www.norges-bank.no)
- 17 April 2020: Motsyklisk kapitalbuffer settes ned (www.regjeringen.no)