

Press release after the meeting of the Financial Stability Committee on macroprudential supervision

Date: 02-06-2017

The meeting of the Financial Stability Committee on macroprudential supervision (FSC-M) was held on 2 June 2017. The following persons participated in the meeting:

- Adam Glapiński, President of Narodowy Bank Polski, Chair of the Committee,
- Piotr Nowak, Undersecretary of State, Ministry of Finance,
- Marek Chrzanowski, Chairman of the Polish Financial Supervision Authority,
- Zdzisław Sokal, President of the Management Board of the Bank Guarantee Fund.

Performing its statutory duties, the Committee passed a resolution on recommending the maintenance of the countercyclical capital buffer rate at the level of 0% and decided to notify the European Systemic Risk Board of the level of the countercyclical capital buffer and underlying indicators. The representative of the Minister of Economic Development and Finance agreed with the recommendation and informed the Committee that there was no need for legislative measures aimed at changing the level of the countercyclical buffer.

As part of the analysis of systemic risk, the Committee acquainted itself with the latest edition of NBP's Financial Stability Report and concluded that the areas of risk identified in the current report had not changed in relation to December 2016 ([Financial Stability Report. June 2017](#)). Following issues were recognised as main systemic risk sources:

- FX portfolio in the context of the potential consequences of some regulatory solutions evoked in the public debate,
- potential contagion effects for the banking sector stemming from difficult financial standing of the credit unions sector and some cooperative banks; the increase of the bank's levies on deposit guarantee and resolution system might be the transmission mechanism,
- growing imbalances on the commercial real estate market.

Additionally, it was indicated that reduced profitability of banks influences their ability to accumulate the equity. The equity is the key parameter defining resilience of banks to shocks and the condition for increasing the financing of the economy. Therefore, potential continuation of declining bank's profitability trend would be a negative phenomenon.

The Committee members also discussed the macroeconomic balances of the Polish economy. The Committee agreed that the Polish economy is currently on the path of sustainable growth what is expressed both, in its internal equilibrium - reflected, inter alia, by almost zero output gap, and in external equilibrium – confirmed by the low balance of the current account. The slight slowdown in economic growth in 2016 and the negative output gap were affected by temporary factors limiting economic activity. In the future, growth is expected to gain pace and surpass the growth rate of the domestic potential output. According to the forecasts, from 2017 the output gap will be running at a slightly positive level, which suggests that in aggregate terms, the market for goods and services in the coming years will be in a state of near equilibrium. The total balance of the current account and capital account, containing all the EU transfers has been running at a positive level since 2013. The positive changes in the current account and capital account are accompanied by lower inflow of foreign investment than before the global financial crisis and increased Polish external investment. As a result, the negative net international investment position of Poland in relation to GDP was reversed in 2015 and in 2016 the positive trend was maintained. This positive trend is expected to continue.

The Committee was informed about the results of the next stage of the work of the Working Group on the Risk of FX Housing Loans. Information on this subject has been enclosed in a separate [press release](#). Thus, the Committee concluded that the mandate of the Group was fulfilled and the commitments of the President of the NBP and the Chairman of the Committee made on the conference on 2 August 2016 was accomplished.

The FSC-M acquainted itself with and discussed the preliminary assumptions adopted by the Bank Guarantee Fund for setting the minimum requirement for own funds and eligible liabilities (MREL). It was decided that the analysis in this area would be continued.

The Financial Stability Committee took a decision to notify the European Systemic Risk Board on the following:

- implementation of Recommendation ESRB/2015/2 on the assessment of cross-border effects and voluntary reciprocity for macroprudential policy measures,
- information that significant third countries were not identified with the aim of recognising and setting countercyclical buffer rates.

The Committee members adopted a report on the activities of the Financial Stability Committee on macroprudential supervision in 2016. In accordance with the statutory requirement to provide annual information on the activities of the FSC-M, it will be presented to the Sejm of the Republic of Poland by the President of NBP – the Chairman of the Committee. Subsequently, the document will be published on the NBP website.

The next meeting of the Committee on macroprudential supervision is scheduled to take place in the third quarter of 2017.