Decision of the Board of the Financial Supervisory Authority on the application of macroprudential instruments

At its meeting on 25 March 2026, the Board of the Financial Supervisory Authority (FIN-FSA Board) decided that the countercyclical capital buffer (CCyB) requirement referred to in chapter 10, section 4 of the Act on Credit Institutions (610/2014) will be kept at 0.0%. The Board also decided that the maximum loan-to-collateral (LTC) ratio referred to in chapter 15, section 11 of the Act on Credit Institutions and in section 14 of the Act on the Registration of Certain Credit Providers and Credit Intermediaries (186/2023) will remain at its standard level of 90%. The maximum LTC ratio for first-home loans will also be retained at its standard level of 95%.

The FIN-FSA Board is closely monitoring developments in the Middle East conflict and the associated risks, as well as their impact on the stability of the Finnish financial system. In the prevailing uncertain situation, it is paramount that risks are adequately cushioned with appropriate capital and liquidity buffers. Thanks to its risk resilience strengthened by macroprudential instruments, the Finnish financial system is well placed to withstand the negative market and economic effects caused by the conflict.

Keeping the countercyclical capital buffer requirement at the level of 0.0%

The prospects for global trade and the world economy are overshadowed by geopolitical uncertainties that have increased significantly due to the conflict in the Middle East. The euro area economy has grown slowly, and global uncertainty is also weakening growth prospects for the coming years. This uncertainty is reflected in Finland's sluggish economic development as well. Domestic economic growth has been restrained in particular by subdued private consumption and reduced public demand due to fiscal consolidation measures.

Developments in the core risk indicators for the countercyclical capital buffer in the third quarter of last year indicate a subdued financial cycle. The primary risk indicator, i.e. the deviation of the private sector credit-to-GDP ratio from its long-term trend, was -18.0 percentage points using a broad definition of the credit stock and -11.6 percentage points with a narrow definition. The development of total lending remained sluggish. The household credit stock relative to GDP contracted marginally in the third quarter, and the private sector's relative credit stock remained unchanged. However, the absolute values of corporate and household loan stocks have turned to cautious growth.

The other core risk indicators do not point to an increase in cyclical systemic risks stemming from an overheating of the credit cycle, either. The decline in real house prices has continued, albeit somewhat moderated. The decline in average interest rates on new loans has levelled off. There have been no significant changes in the pricing of risks.

Hence, there are no grounds at present to set the countercyclical capital buffer requirement higher than 0.0%. However, developments in the risk indicators for the countercyclical capital buffer must be monitored closely.

Keeping the maximum LTC ratio at standard level

The state of the housing market and its outlook have remained largely unchanged from the previous quarter. The recovery of the housing market from the downturn and low cycle has been slow, and the cycle has remained subdued for several years already. Sales of existing dwellings have gradually picked up from the trough and are approaching the typical volumes seen in 2015–2019, but overall housing market activity remains clearly lower than during the active pandemic years of 2020–2021. Lack of demand is visible in declining house prices and low levels of new construction.

Households’ real housing wealth has decreased compared to the situation in 2021, and real disposable income is roughly at the 2021 level, suppressing households’ economic and housing market activity. There is a large supply of dwellings for sale, but matching demand and supply takes time. Households have increased saving and reduced indebtedness compared to the period of very low interest rates. Many consumers still consider the current time unfavourable for borrowing, and the slight rise in interest rates on new loans during the autumn has not eased the situation.

The housing market cycle is expected to strengthen further slowly in the coming years if economic growth picks up as forecasted. The gradual revival of housing transactions, borrowing and new-build construction is supported by rising household purchasing power, reference rates remaining close to current levels, and the moderate release of pent-up demand for housing. On the other hand, uncertainties related to the domestic economy, employment, international trade and geopolitics may keep households, property investors and construction companies cautious.

Housing market risks continue to be tilted to the downside. Weaker-than-anticipated economic developments could delay the recovery of the housing market further and increase the materialisation of risks in the short term (downside risk). A rapid reduction in uncertainty and, as a result, clearly better-than-expected economic performance could, in turn, accelerate the housing market (upside risk), which could increase financial stability risks and vulnerabilities over the medium term.

The analysis did not identify any such factors that directly jeopardise the stability of the financial system and/or the economy in relation to the growth in the stock of residential mortgages to households or the threat of overheating in the housing market. Hence, there are no grounds at present to lower the maximum LTC ratio for housing loans from its statutory standard level. However, risks associated with mortgage lending and household indebtedness as well as long-term vulnerabilities and pertinent changes in the operating environment and legislation must be monitored closely.