FPC core indicators

Core indicator set for the countercyclical capital buffer*[(a)]

Indicator	Average 1987–2006[(b)]	Average 2006[(c)]	Minimum since 1987[(b)]	Maximum since 1987[(b)]	Previous value (oya)	Latest value (as of 20 Nov 2023)
Non-bank balance sheet stretch						
1: Credit to GDP[(d)]						
Ratio	116.8%	154.6%	87.2%	168.1%	138.9%	129.2% (2023Q2)
Gap	6.7%	8.4%	-25.5%	21.1%	-9.3%	-16.0% (2023Q2)
2: Private non-financial sector credit growth[(e)]	9.9%	10.2%	-3.1%	22.8%	3.6%	0.9% (2023Q2)
4: Gross external debt to GDP[(f)]	179.5%	311.1%	112.9%	395.3%	310.8%	276.9% (2023Q2)
Conditions and terms in markets						
6: Long-term real interest rate[(g)]	1.45%	1.23%	-3.17%	2.18%	-0.14%	-0.80% (18 Nov 2023)
7: VIX[(h)]	19.1	12.8	9.8	65.5	25.8	16.7 (18 Nov 2023)
8: Global corporate bond spreads[(i)]						
Global investment-grade[(j)]	84 bps	84 bps	74 bps	482 bps	155 bps	120 bps (18 Nov 2023)
USD investment-grade	121 bps	93 bps	53 bps	622 bps	145 bps	118 bps (18 Nov 2023)
USD high-yield	522 bps	326 bps	241 bps	2147 bps	465 bps	392 bps (18 Nov 2023)

Indicator	Average 1987–2006[b]	Average 2006[c]	Minimum since 1987[b]	Maximum since 1987[b]	Previous value (oya)	Latest value (as of 20 Nov 2023)
GBP high-yield	563 bps	291 bps	173 bps	2,585 bps	693 bps	550 bps (18 Nov 2023)
Bank balance sheet stretch[k]						
10: Tier 1 capital ratio[l]	n.a.	n.a.	5.3%	19.4%	16.8%	17.3% (2023Q3)
o/w CET1	n.a	n.a	4.3%	16.5%	14.2%	14.8% (2023Q3)
11: Leverage ratio[m]						
Simple leverage ratio	4.9 %	4.0%	2.7%	6.5%	5.5%	5.4% (2023Q2)
UK leverage ratio	n.a.	n.a.	5.1%	5.7%	5.2%	5.3% (2023Q3)
12: Liquidity coverage ratio[n]	n.a.	n.a.	123.0%	154.0%	143.9%	149.8% (end-Oct)
13: Return on assets (before tax)[o][s]	1.1%	1.0%	-0.3%	1.5%	0.6%	1.0% (2023H1)
14: Loan to deposit ratio[p][s]	111.3%	122.6%	74.7%	122.6%	74.7%	75.5% (2023H1)
16: CDS premia[q][s]	13 bps	8 bps	5 bps	288 bps	108 bps	88 bps (20 Nov 2023)
17: Price to tangible book ratio[r]	3.8	3.5	0.4	5.1	0.7	0.7 (20 Nov 2023)

* The FPC considers this set of core indicators when reaching decisions on the UK countercyclical capital buffer (CCyB) rate. Firms use the UK CCyB rate to calculate their institution-specific CCyB rate and the countercyclical leverage ratio buffer (CCLB) rate. Currently, the CCLB rate for each major UK bank is calculated as 35% of its institution-specific CCyB rate with the CCLB rate percentage rounded to the nearest 10 basis points.

(a) **A spreadsheet of the series shown in this table is available on the Bank's website**.

(b) If the series starts after 1987, the average between the start date and 2006 end and the maximum/minimum since the start date are used.

(c) 2006 was the last year before the start of the global financial crisis.

(d) Credit is defined as debt claims on the UK private non-financial sector. This includes all liabilities of the household sector except for student loans and financial derivatives, and private non-financial corporations' (PNFCs') loans and debt securities excluding direct investment loans and loans secured on dwellings. The credit to GDP gap is calculated as the percentage point difference between the credit to GDP ratio and its long-term trend, where the trend is based on a one-sided Hodrick-Prescott filter with a smoothing parameter of 400,000. See Countercyclical Capital Buffer Guide at www.bankofengland.co.uk/financial-stability for further explanation of how this series is calculated. Sources: Association of British Insurers, Bank of England, Bayes CRE Lending Report (Bayes Business School(formerly Cass)), Deloitte, Financing & Leasing Association, firm public disclosures, Integer Advisors estimates, LCD an offering of S&P Global Market Intelligence, London Stock Exchange, ONS, Peer-to-Peer FinanceAssociation, Eikon from Refinitiv, Roe A.R. (1971) - 'The financial interdependence of the UK economy 1957-66' - Chapman and Hall - London, UK Finance and Bank calculations.

(e) Twelve-month growth rate of nominal credit (defined as the four-quarter cumulative net flow of credit as a proportion of the stock of credit twelve months ago). Credit is defined as above. Sources: Association of British Insurers, Bank of England, Bayes CRE Lending Report (Bayes Business School(formerly Cass)), Deloitte, Financing & Leasing Association, firm public disclosures, Integer Advisors estimates, LCD an offering of S&P Global Market Intelligence, London Stock Exchange, ONS, Peer-to-Peer FinanceAssociation, Eikon from Refinitiv, UK Finance and Bank calculations.

(f) Ratios computed using a four-quarter moving sum of GDP. Sources: ONS and Bank calculations.

(g) Five-year real interest rates five years forward, implied from inflation swaps and nominal fitted yields. Data series runs from October 2004. Sources: Bloomberg Finance L.P., Tradeweb and Bank calculations.

(h) 22-day moving average. The VIX is a measure of market expectations of 30-day volatility as conveyed by S&P 500 stock index options prices. Sources: Bloomberg Finance L.P. and Bank calculations.

(i) Sources: ICE BofAML & Bank Calculations.

(j) Global corporate bond spreads refers to a 22-day moving average of the global aggregate market non-financial, non-utility corporate bond spread. This tracks the performance of investment-grade corporate debt publicly issued in the global and regional markets from both developed and emerging market issuers. Index constituents are weighted based on market value. Spreads are option-adjusted (ie they show the number of basis points the matched-maturity government spot curve needs to be shifted in order to match a bond's present value of discounted cash flows). Prior to 2016, published versions of this indicator showed the ICE/BofAML Global Industrial Index. Sources: Barclays and Bank calculations.

(k) Unless otherwise stated, indicators are based on the major UK bank peer group defined as: Abbey National (until 2003); Alliance & Leicester (until 2007); Bank of Ireland (from 2005); Bank of Scotland (until 2000); Barclays; Bradford & Bingley (from 2001 until 2007); Britannia (from 2005 until 2008); Co-operative Banking Group (from 2005); Halifax (until 2000); HBOS (from 2001 until 2008); HSBC (from 1992); Lloyds TSB/Lloyds Banking Group; Midland (until 1991); National Australia Bank (from 2005 until February 2015); National Westminster (until 1999); Nationwide; Northern Rock (until 2011); Royal Bank of Scotland; Santander (from 2004); TSB (until 1994); Virgin Money (from 2012) and Woolwich (from 1990 until 1997). Accounting changes, eg the introduction of IFRS in 2005, result in discontinuities in some series. Restated figures are used where available.

(l) From 2014, the 'Basel III Tier 1 capital ratio' is calculated as Tier 1 capital over risk-weighted assets. The CET1 element within Tier 1, RWAs and the CET1 capital ratio are according to the Basel III definition as implemented in the United Kingdom. The additional Tier 1 element within Tier 1 excludes legacy instruments and other transitional adjustments. Prior to 2014, the chart shows Bank estimates; within the Tier 1 ratio preference shares are used as a proxy for additional Tier 1 capital. The peer group includes Barclays, HBOS (until 2008), HSBC, Lloyds TSB (until 2008), Lloyds Banking Group (from 2009), Nationwide, NatWest, Santander UK, Standard Chartered and Virgin Money UK (from end-2020). From 2018, Basel III Tier 1 and CET1 capital ratios reflect IFRS 9 transitional arrangements. Sources: PRA regulatory returns, published accounts and Bank calculations.

(m) The simple leverage ratio is calculated as aggregate shareholders' equity over aggregate assets. The UK leverage ratio corresponds to the UK leverage framework where qualifying claims on central banks are excluded from the leverage exposure measure. The ratio represents the aggregate on an average basis for the quarter. From 2018, Tier 1 capital reflects IFRS 9 transitional arrangements. The peer group includes Barclays, HBOS (until 2008), HSBC, Lloyds, Nationwide, NatWest, Santander UK, Standard Chartered and Virgin Money UK (from end-2020). Sources: PRA regulatory returns, published accounts and Bank calculations.

(n) The liquidity coverage ratio is calculated as high-quality liquid assets over stressed net-cash outflows over 30 calendar days. The peer group includes Barclays, HSBC, Lloyds, Nationwide, NatWest, Standard Chartered, Santander UK and Virgin Money UK (from end-2020). Series starts in Dec-2015 from which a 3-month rolling average is derived. Sources: PRA regulatory returns and Bank calculations.

(o) Calculated as major UK banks' profit before tax as a proportion of total assets, averaged over the current and previous year. Series starts in 2000 where data are annual, until 2014 and data are half-yearly thereafter. When banks in the sample have merged, aggregate profits for the year are approximated by those of the acquiring group. The series includes Halifax (up to 2000), HBOS (up to 2009 when acquired by LBG), Barclays, Lloyds, HSBC, Santander UK, Nationwide, NatWest, Standard Chartered and Virgin Money UK (from Dec 2020). Previously, this indicator also included Abbey National, Alliance and Leicester, Bank of Ireland, Bradford & Bingley, Britannia, Cooperative Bank, Midland Bank, National Australia Bank, Royal Bank of Scotland, National Westminster, Northern Rock, Santander and Woolwich Bank. Sources: Published accounts and Bank calculations.

(p) The loan to deposit ratio is calculated as loans and advances to customers over customer deposits. The series starts in 2000 with annual data until the end 2012. From 2013 the data changes to half-yearly. The peer group includes Barclays, HSBC, Lloyds, Nationwide, NatWest, Santander UK, Standard Chartered, Virgin Money UK (from December 2020) and HBOS (until 2009). Sources: Published accounts and Bank calculations.

(q) Average of major UK banks' five-year senior CDS premia. Series starts in 2003. Major UK banks are: Barclays, Lloyds, HSBC, NatWest, Standard Chartered and HBOS. Data reflect group entities. HBOS are excluded from the peer group post-2009 due to their acquisition by LBG. Santander UK (Nationwide) data was removed from the peer group in June (November) 2022 due to data availability issues and the back-run has been revised to reflect this. Sources: S&P CDS Pricing Data and Bank calculations.

(r) The sample comprises the major UK listed banks' group entities (Barclays, Lloyds Bank, HSBC, NatWest, Standard Chartered and Virgin Money UK) and HBOS up to 2009 before it was acquired by Lloyds Banking Group. Nationwide is unlisted and therefore excluded from the sample, Santander is also excluded. Virgin Money UK is included from Dec 2020. This indicator is a simple unweighted average of the price-to-tangible book ratios in the sample. Sources: Bloomberg Finance L.P. and Bank calculations

(s) Errors in the reported summary statistics for the return on assets (before tax), loan to deposit ratio and CDS premia indicators were corrected on 27 March 2024

Table A.2: Core indicator set for LTV and DTI limits[(a)]

Indicator	Average 1987–2006[(b)]	Average 2006[(c)]	Minimum since 1987[(b)]	Maximum since 1987[(b)]	Previous value (oya)	Latest value (as of 20 Nov 2023)
Lender and household balance sheet stretch						
1: LTI and LTV ratios on new residential mortgages						
Share of new mortgages with LTV ≥ 90%[(d)]	20.7%	22.0%	5.1%	22.8%	16.2%	16.6% (2023Q3)
Share of new mortgages with LTI ≥ 4.5[(e)]	4.4%	5.2%	3.2%	10.5%	8.5%	5.5% (2023Q3)
2: Household credit growth[(f)]	10.1%	11.4%	-1.1%	19.8%	3.7%	1.5% (2023Q2)
3: Household debt to income ratio[(g)]	121.2%	176.2%	91.1%	182.2%	150.5%	138.9% (2023Q2)
Conditions and terms in markets						
4: Mortgage approvals[(h)]	97963	119070	9352	132621	64575	43675 (Sep 2023)
5: Housing transactions[(i)]	129508	139039	43020	221978	103090	85610 (Sep 2023)
6: House price growth[(j)]	2.0%	2.2%	-5.8%	11.5%	2.0%	0.9% (Sep 2023)
7: House price to household disposable income ratio[(k)]	3.6	5.3	2.6	6.1	6.1	5.7 (2023Q2)
8: Spreads on new owner-occupier mortgages with 2-year fix and 75% LTV [(l)]	0.56	0.28	-0.26	3.39	1.09	0.59 (Oct 2023)

(a) **A spreadsheet of the series shown in this table is available on the Bank's website**.
(b) If the series start after 1987, the average between the start date and 2006 end and the maximum/minimum since the start date are used.
(c) 2006 was the last year before the global financial crisis.

(d) Share of new UK owner-occupier mortgages with loan-to-value ratios of greater than or equal to 90%. Includes all new mortgages for house purchases and remortgages with a change in principal. Sources: FCA Product Sales Data and Bank calculations.

(e) Share of new UK owner-occupier mortgages with loan-to-income ratios of greater than or equal to 4.5. Includes all new mortgages for house purchases and remortgages with a change in principal. Sources: FCA Product Sales Data and Bank calculations.

(f) The twelve month growth rate of nominal credit. Defined as the four quarter cumulative net flow of credit divided by the stock of credit 12 months ago. Credit is defined as all liabilities of the household sector except for student loans and financial derivatives. Sources: ONS and Bank calculations.

(g) Gross debt as a percentage of a four-quarter moving sum of gross disposable income of the UK household sector. Includes all liabilities of the household sector except for student loans and financial derivatives. Disposable income is adjusted for changes in pension entitlements and excludes gross operating surplus (GOS) and financial intermediation services indirectly measured (FISIM). Sources: Bank of England, ONS, Roe A.R. (1971) - 'The financial interdependence of the UK economy 1957-66' - Chapman and Hall - London and Bank calculations.

(h) Monthly number of approvals for loans secured on dwellings with the purpose of house purchase. This covers sterling lending by UK MFIs and other lenders to UK individuals. Approvals are measured net of cancellations. Seasonally adjusted. Series starts in 1993. Source: Bank of England.

(i) The number of houses sold/bought in the current month is sourced from HMRC's Land Transaction Return. From 2008 the Return excluded properties priced at less than £40,000 (2006 and 2007 data have also been revised by HMRC to correct for this). Data prior to 2005 comes from the Survey of Property Transactions; the UK total figure is computed by assuming that transactions in the rest of the United Kingdom grew in line with England, Wales and Northern Ireland. Seasonally adjusted. Sources: HMRC, UK Finance and Bank calculations.

(j) House prices takes the quarterly index of UK House Price Index (HPI) up until March 2005. From June 2005 onwards, the series uses the monthly index of UK HPI. The growth rate is calculated as the quarter on quarter percentage change until March 2005 then calculated as the percentage change three months on three months earlier. Seasonally adjusted. Sources: HM Land Registry, ONS and Bank calculations.

(k) Average £ UK house price as a share of a four-quarter moving sum of average UK household gross disposable income. House prices take the seasonally adjusted UK HPI quarterly £ value series from 2005 onwards. Data prior to 2005 back-projects the UK HPI quarterly £ value series using the quarterly UK HPI index series. Gross disposable income is for the UK household sector, adjusted for changes in pension entitlements and excludes gross operating surplus (GOS) and financial intermediation services indirectly measured (FISIM). Income is divided by the number of households in the UK, estimated using annual household projections data, assuming linear growth between available data points within each of the four nations of the UK.

(l) Quoted rates on owner-occupier mortgages with 2-year fix and 75% LTV over relevant risk-free rates of 2-year maturity. The quoted rates are weighted monthly average rates advertised by UK banks and building societies. The risk-free rates used are the instantaneous forward rate until July 2008 and the overnight index swap rate from August 2008. Sources: Bank of England, Bloomberg Finance L.P. and Bank calculations.