The Non-Bank Credit Cycle

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[1] Additional to the usual disclaimer, the opinions expressed in this paper solely represent those of the author and do not necessarily reflect the official viewpoint of the Oesterreichische Nationalbank or of the Eurosystem.

Summary

paper presents:

- measurement of non-bank credit cycles
- private non-financial sector borrowing as a residual measure
- for a variety of countries
- data from countries' financial accounts to BIS
- analysis of the cyclical properties of non-bank credit relative to bank credit

Data and analysis

credit to non-financial sector for 38 countries

long-run credit data, publicly available

see (Dembiermont et al., 2013)

crises database 1971 - 2011 see (Laeven and Valencia, 2012)

filter analysis
(Christiano and Fitzgerald, 2013)

turning point analysis using dating algorithm
[by Bry and Boschan (1971)]

frequency-based growth cycles for each country
(Drehmann et al., 2012)

rolling window Spearman rank correlation coefficients

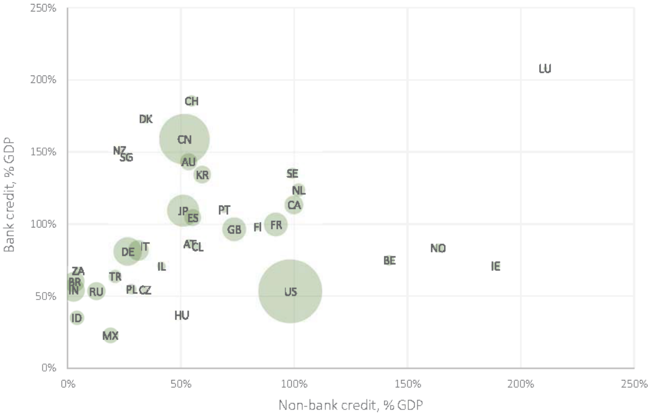
logit-panel regression with country-level FE on crises events

Findings

relative to bank credit cycles:

- non-bank credit cycle duration similar
- non-bank credit cycle amplitude higher
- non-bank credit cycles are correlated in some countries
  and in other countries not
- non-bank credit cycles are less synchronized across countries
- non-bank credit good predictor currency crises
- global cycles difficult to estimate
- correlation of the two cycles at global level has decreased overtime

Data as of 2017q3. Size of the bubbles denotes the country's GDP



Note: country codes are AT=Austria, AU=Australia, BE= Belgium, BR=Brazil, CA=Canada, CH=Switzerland, CL= Chile, CN=China, CZ= Czech Republic, DE= Germany, DK=Denmark, ES=Spain, FI=Finland, FR=France, GB=Great Britain, HU=Hungary, ID=Indonesia, IE=Ireland, IL=Israel, IN=India, IT=Italy, JP=Japan, KR=South Korea, LU=Luxembourg, MX=Mexico, NL=The Netherlands, NO=Norway, NZ=New Zealand, PL=Poland, PT=Portugal, RU=Russia, SE=Sweden, SG=Singapore, TR=Turkey, US=The United States of America, ZA=South Africa.

My comments are ...

- interesting data - cross-country dimension

  $\longrightarrow$ data descriptiveness
- focus of the research question

  $\longrightarrow$ hence analysis & tools
- non-bank credit is important for financial stability

Lender structure in AT . . .

a thought experiment . . .

2018	Bill. Euros	
total credit to the private non-financial sector	504,565	
lender: AT banks	325,231	64 %
lender: corporate enterprises	77,842	15 %
lender: non-AT (includes banks)	63,302	13 %
lender: government	29,173	6 %
lender: other financial sector incl. insurance	9,016	2 %

Data more concrete . . .

- value-adding look at very public data
- a bit more on the data descriptiveness would be helpful to the reader.
- non-domestic credit does not seem to be separately accountable to banks and non-banks - how did you do it?
- lender and borrower structure something to be more exploit

  hh vs. non-financial corporate debt, government, funds

  synchronization mis-match overtime related to lender structure

  lender: corporate positions depend on direct investment that hinge on timing of business projects

  currently countries grouped: EME, AE, EU and Non-EU

  group by similar structure of lender/borrower characteristics?

  type of credit: bond, loan (subsidized home loans, corporate affiliate investment), portfolio, funds, etc

Research question more concrete ...

- unsure about the direction/focus of the paper
  non-credit cycle description and predictor for currency crises
- non-credit cycle determinants and cross-country heterogeneity
  looking more into dis-entangling country heterogeneity?
  dis-aggregating data more and determinants of non-bank credit
  use data to uncover vulnerabilities - the role of private debt as a shock amplifier?
- what about the dimension of policy changes on financial stability?
  tightened supervision shifts risk to non-bank sector
  can we use this data to learn something about this?
  capital regulations bank vs. non-bank sector (Becker et al., 2019)
  deposit insurance heterogeneity across countries (Demirguc-Kunt et al., 2015)

References

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