Macroprudential Policy Evaluation using Credit Registry Data: Argentina 2009-2014

Discussion

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Research Question

- Paper aims to asses the impact of macroprudential policy measures on credit growth at the firm level, using credit registry data from Argentina
  - The introduction and tightening of a capital buffer in 2009 and 2012 respectively.
  - The re-introduction of a limit of foreign currency position on financial institutions in Feb 2014 and the relaxation of this limit from 30% to 20% in Sept 2014

Results

- Capital buffer generally associated with lower credit growth, both when introduced and when tighten
- Limits on global foreign currency position are linked to lower credit growth when tightened
- Measures operate both on the extensive and intensive margins
- And seem to also have an effect on credit quality: growth of non-performing loans is reduced after their implementation

Comments

1. Do more
2. Do it better
3. Cite and learn from the existing literature

Do More

- Good vs. Bad times
  - More info in the paper about economic conditions at the time of each of the reforms
- Firm heterogeneity
  - Riskier vs. Safer borrowers
  - Smaller vs. Larger borrowers
- Real effects on the firm
  - Again useful to examine this in ‘good’ and ‘bad’ times and firm heterogeneity

Do it better

- You need a counterfactual
- Otherwise, estimates are meaningless
- Currently the identification strategy is essentially assuming that in the absence of the regulatory change, credit growth would have been the same as in periods where there was no change
- This is unlikely as reforms are not random and comparison period is too broad (2009-2014) – **see Figure 6**

- **Suggestion:** evaluate a reform using a symmetric window (-2y, +2y) and study the impact of the reform relative to an appropriate control group that can provide a counterfactual
  - E.g., loans to the (same) firm by non-affected or less affected banks
    - Banks not subject to the regulation (e.g., branches of foreign banks?)
    - Bank less exposed to the regulation based on predetermined exposures

Figure 6

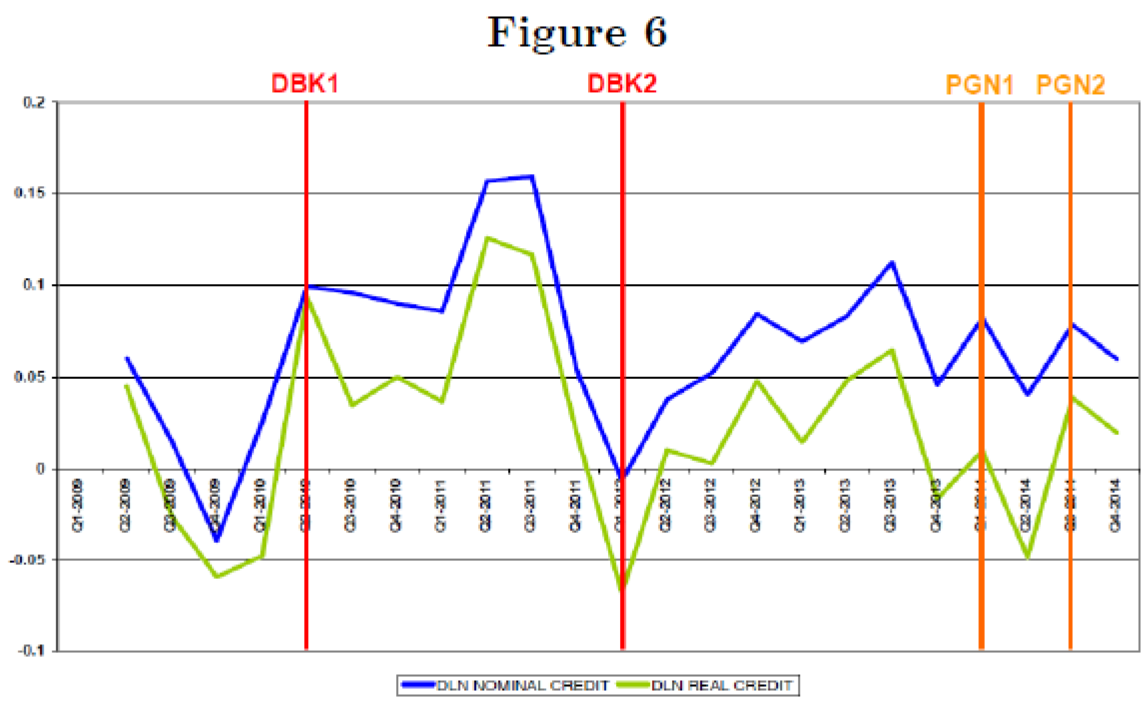

Figure 6
DBK1
DBK2
PGN1
PGN2
0.2
0.15
0.1
0.05
0
-0.05
-0.1
DLN NOMINAL CREDIT
DLN REAL CREDIT

Do it better

- Credit quality analysis is a step in the right direction

- But measure used is not informative about credit allocation effects
  - Why would a change in regulation have an contemporaneous effect on nonperforming loans?
- If anything it can be informative of changes in banks' monitoring efforts or provisioning stanards…
- … But in the absence of a counterfactual it could be also picking up

- **Suggestion**: use an ex-ante measure of firm risk (e.g., do firms with past or outstanding repayment problems get more or less credit?)
- **Suggestion:** explore other dimensions of firm and bank heterogeneity (e.g., size) as different firms may be able to offset the shock to a different degree. You do some of that for banks.

Cite and learn from relevant literature

- Relevant literature with micro-data (most relevant to you):
  - Jimenez et al. (JPE forth)
    - Countercyclical loan provisions in Spain
    - Credit effects in good & bad times
    - Composition effects (e.g., quality and size)
    - Real effects on firms (e.g., substitution effects in good and bad times)
  - Dassatti and Peydro (2014) – Uruguay
  - Martins and Schechtman (2013) – Brazil
  - Lopez et al. (2014) – Colombia

Conclusion

- Research question is extremely important
- Analysis needs to be improved and enriched
- Quantifying effects accurately and establishing possible heterogenous effects banks, borrowers, ‘good’ and ‘bad’ times is key
- Thinking further about what may be special about Argentina (institutionally or with respect to the reforms) may be useful
- I believe it is important that we learn from the experiences of different countries, but make that an integral part of your analysis
- I believe that all these are possible and I would encourage you to improve the paper along these dimensions