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

Discussion

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Research Question

• Paper aims to assess 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
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 standards...
- ... 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