Global Retail Lending in the Aftermath of the US Financial Crisis: Distinguishing between Supply and Demand Effects

with

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and

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13 April, 12.45 to 14.00 at Bruegel

The crisis has led to a significant drop in credit expansion and many countries even face credit contraction. Was this the result of credit rationing or reduced demand? In a recent paper written with Manju Puri and Sascha Steffen, Jörg Rocholl examines this issue using a unique dataset of German savings banks over the period 2006-2008. He will distinguish between savings banks affected by the U.S. financial crisis, through their holdings in Landesbanken with substantial subprime exposure, and unaffected savings banks. He will further distinguish between demand and supply-side effects of bank lending. They find that demand for loans goes down, but this effect is not substantially different for the affected and non-affected banks. They find evidence of a supply-side effect in that the affected banks reject substantially more loan applications than non-affected banks. This observation is particularly strong for smaller and more liquidity-constrained banks and for mortgage as compared to consumer loans. They also find that bank-depositor relationships help mitigate these supply-side effects.

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Participation in the seminar is by personal invitation only and the Chatham House Rule will apply for the discussion. A sandwich lunch will be provided at 12:45 before the session starts punctually at 13.00.

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