2021 EBA POLICY RESEARCH WORKSHOP on
“The New Normal in the Banking Sector – Reshaping the Insights”, Virtual, 16-17 November 2021

DANMARKS NATIONALBANK

Avezum, Oliveira and Serra: "Assessment of the effectiveness of the macroprudential measures implemented in the context of the Covid-19 pandemic"

Discussion by Kim Abildgren

Views and conclusions expressed in the presentation are those of the author and do not necessarily represent those of Danmarks Nationalbank.

Brief recap of the paper

Research questions:

- What were the causal effects on credit of the release of capital buffers during the Covid-19 pandemic?

Methods:

- Synthetic Control method (compare treatment group to synthetic control group; for instance control group for Sweden: 78% Germany, 18% Latvia, 3% Greece).

Key findings:

- The release of the capital buffers supported growth in credit to households during the crisis.
    - Credit growth to households was around 1 percentage point higher in countries where there was a buffer release.
- Results are fairly robust (choice of estimation window; "leave-one-out"; implicit control for monetary and microprudential policy by looking at euro area only).

Overall assessment

Main strengths:

- (One of) the first empirical studies on the causal effects on credit of the release of capital buffers during the Covid-19 pandemic covering a large number of countries.
- Clear results - the paper includes many nice and convincing Charts.
- The results survive a range of robustness checks.

Scope for further work:

- Control for cross-country differences in development in unemployment during the crisis?
- Control for support measures vis-a-vis the household sector during the crisis (wage/unemployment compensation schemes, etc.) which could affect credit demand?
- Control for fiscal policy during the crisis more generally?

Summing up

Great and timely paper!

Presents the results of a well-conducted empirical study on a topic of huge interest for macroprudential policy makers and regulators.

As with all Synthetic Control method studies, further robustness checks could be useful.

Would it make sense to do the study based on EBA's bank-level credit data rather than on country-level credit data?