



Банк России

Центральный банк Российской Федерации



Discussion of
Cyclicality of Bank Liquidity Creation

Denis Davydov, Zuzana Fungacova, Laurent Weill

Alexey Porshakov
Bank of Russia

Contribution

- The aim of the paper is to investigate cyclicality of bank liquidity creation
- Provide evidence on:
 - bank liquidity creation cyclicality
 - and*
 - its potential amplifying role in economic recessions
- Analyze the impact of state ownership of banks in the economy

Methodology

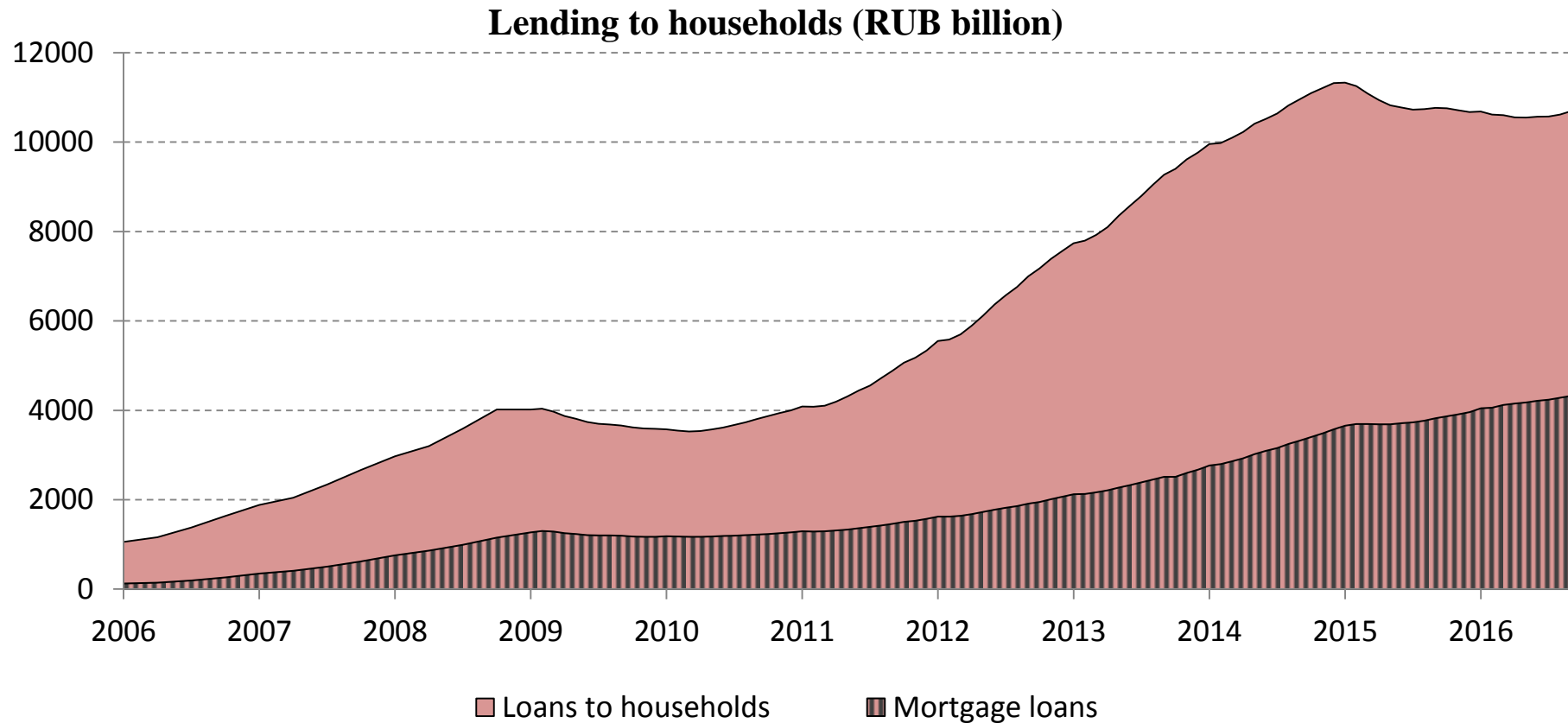
- Three-step procedure developed by Berger&Bowman (2009)
 - (1) Classification of all bank balance sheet items as liquid, semi-liquid or illiquid
 - (2) Giving weights to all balance sheet items
 - (3) Construction of bank liquidity creation measures
 - category
 - maturity
- The approach of Bertay, Demirguc-Kunt and Huizinga (2015)
- Panel regression
- Data:
 - 2004-2015*
 - Quarterly bank-level data for all Russian banks
 - +
 - Macro-level variables

Main findings

- Liquidity creation behavior of banks is procyclical
- No difference in liquidity creation behavior between different types of ownership
- Procyclical liquidity creation is not driven by one stage in business cycle fluctuations, it is observed for all banks in bust times and boom times
- Asymmetry in the cyclicality of liquidity creation:
 - no asymmetry for state-owned banks
 - asymmetry for foreign banks
 - foreign banks are countercyclical in their liquidity creation compared to domestic private banks during low GDP growth periods

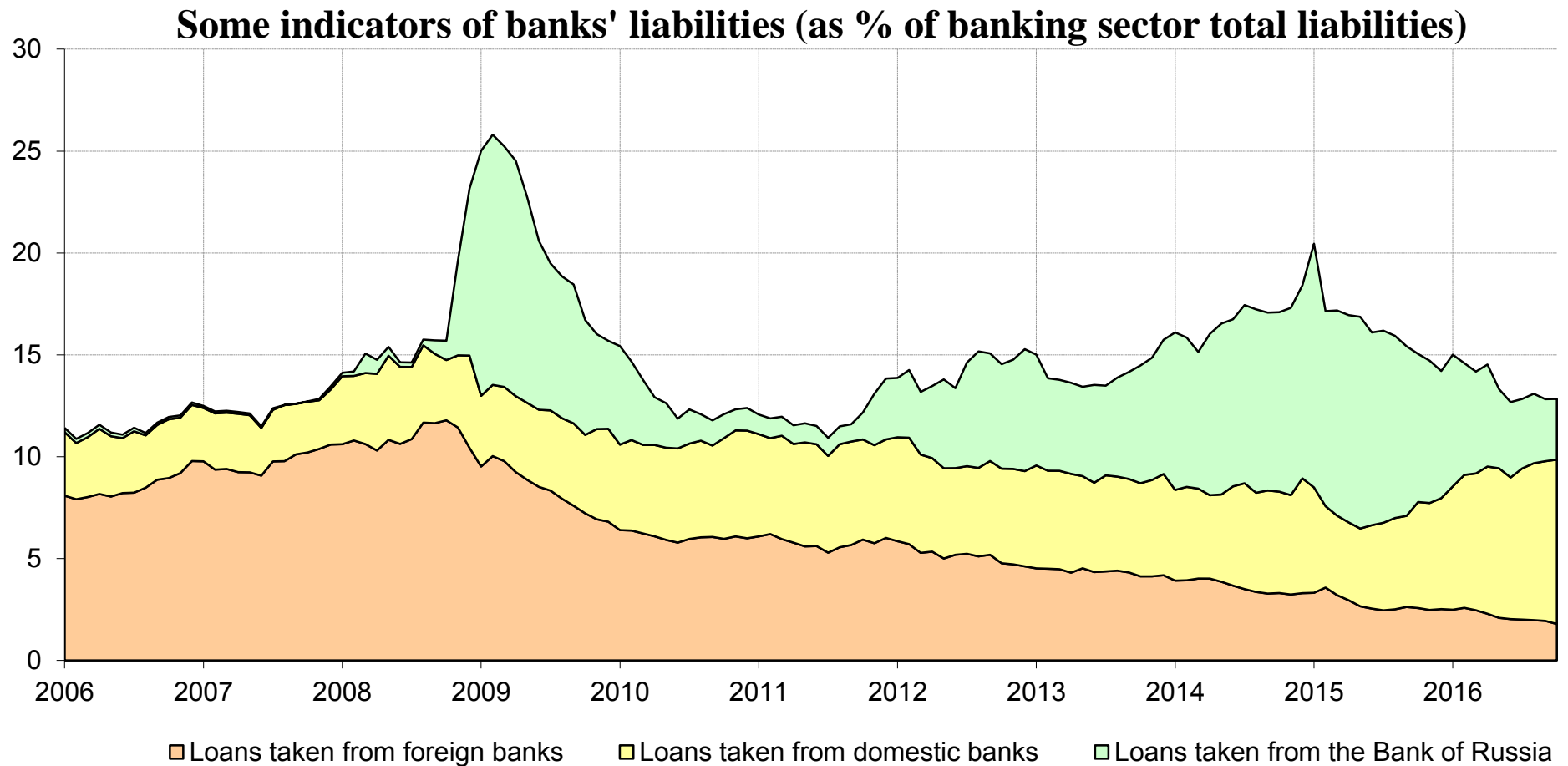
To be developed

- **Assets:** mortgage lending is treated as semi-liquid assets, but maybe illiquid would be better? (<http://os.cbr.ru/statistics/?PrtId=ipoteka>)



To be developed

- **Liabilities:** interbank loans, operations with the Bank of Russia?



To be developed

- Robustness checks with respect to sample of Russian banks (given high segmentation, high share of offshore banking and recently revoked licenses) → how does the presence of *Sberbank* in the panel affect the major results?
- Possibly try instruments alternative to lags in the GMM
- Account for possible effects of countercyclical SWF management in Russia on liquidity creation
- Does liquidity creation mechanism differ upon liquidity stance?.. (over the last 10 years Russian banking systems practically experienced a transition from structural surplus to structural shortage and now almost back to structural surplus)
- Possibly address the issue of growth cyclicality with greater care given the recent caveats in potential growth estimates for Russia