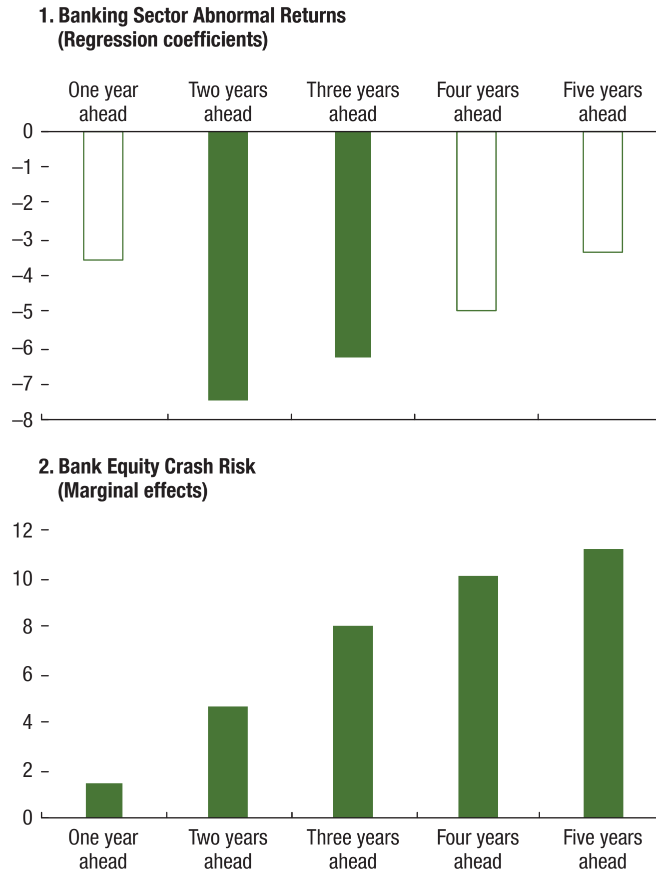
Figure 2.9. Bank Equity Returns and Household Debt



Source: IMF staff calculations.
Note: Panel 1 shows coefficients from regressions of future bank equity risk-adjusted abnormal returns, one to five years ahead, using past three-year changes in the household debt-to-GDP ratio as independent variables. Panel 2 shows the marginal effect of the change in the household debt ratio (normalized by the standard deviation) on the probability of equity crashes in the next one to five years. Bank equity crashes are defined as annual bank equity returns lower than one standard deviation below the mean, as in Cheng, Raina, and Xiong 2014; and Baron and Xiong 2017. Solid bars mean that the response is statistically significant using 95 percent confidence intervals.