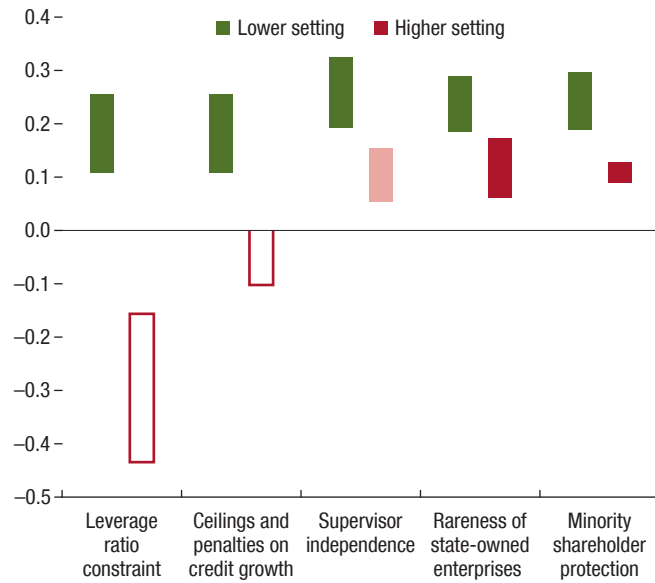


Figure 2.13. The Association of a Credit Expansion with the Riskiness of Credit Allocation Depends on Policy and Institutional Settings

(Standard deviations of the riskiness of credit allocation)



Sources: Worldscope; and IMF staff estimates.

Note: The figure shows the range of impact of a contemporaneous increase in the change in the credit-to-GDP ratio by one standard deviation on the four (leverage-, interest coverage ratio-, debt overhang-, and expected default frequency-based) measures of the riskiness of credit allocation when policy and institutional settings (leverage ratio constraint, ceiling and penalties on bank credit growth, independence of supervisory authority from banks, rareness of state-owned enterprises, and minority shareholder protection) are at a “lower” setting or a “higher” setting. A lower (higher) setting for macroprudential policy means no policy change (one tightening action during the year). A lower (higher) setting for the other variables means a level equal to the 25th percentile (75th percentile) of their distribution. Dark-colored (light-colored) bars indicate that the effects are statistically significant at the 10 percent level or higher for four (three) measures out of four. Empty bars indicate that the effects are statistically insignificant at the 10 percent level for the four measures. See Annex 2.2 for details on the methodology.