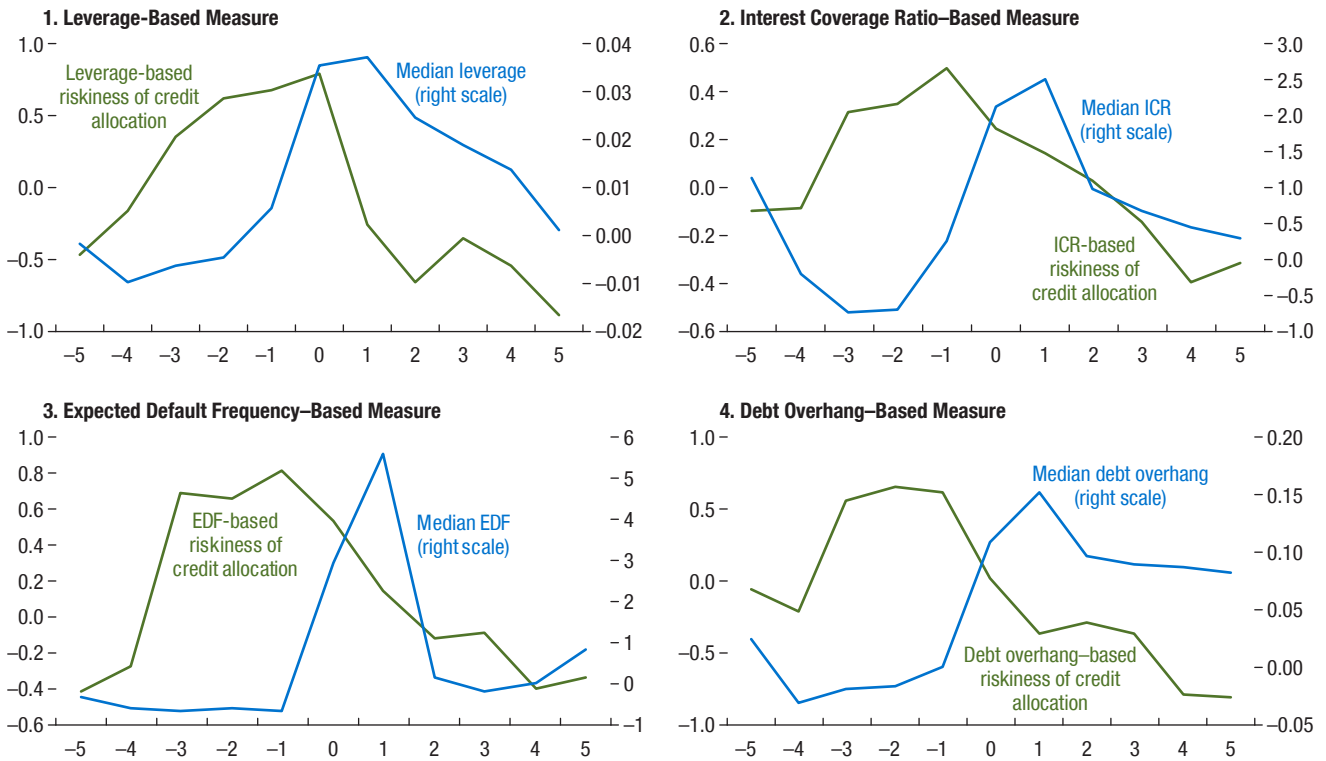


Figure 2.8. The Riskiness of Credit Allocation Rises to a High Level before a Financial Crisis, and Falls to a Low Level Thereafter

(Index; median across all crisis episodes; 11-year window)



Sources: Laeven and Valencia (forthcoming); Worldscope; and IMF staff estimates.

Note: Systemic banking crises are defined as in Laeven and Valencia (forthcoming). The crisis occurs at time 0. Data are demeaned at the country level. The panels show the median across all crisis countries in a balanced panel. The riskiness measures are constructed as explained in Box 2.1. Median leverage (EDF) refers to the median of the firm-level leverage (EDF) variable. Median ICR refers to the negative of the median of the firm-level ICR. Median debt overhang refers to the negative of the median of the EBITDA-to-debt ratio. EBITDA = earnings before interest payments, taxes, depreciation, and amortization; EDF = expected default frequency; ICR = interest coverage ratio.