Figure 4.12. The Procyclicality of Leverage in Investment and Commercial Banks
(Annual change, percent)

Investment banks' leverage (assets divided by equity) is procyclical; for commercial banks, the evidence is mixed across countries.

- Top 50 Investment Banks\(^1\)
  - \(B = 0.47\)
  - \(R^2 = 0.26\)

- Commercial Banks: United States (top 50 banks)\(^1\)
  - \(B = 0.32\)
  - \(R^2 = 0.12\)

- Commercial Banks: Germany (top 10 banks)\(^1\)
  - \(B = 0.18\)
  - \(R^2 = 0.04\)

Sources: Bankscope; and IMF staff calculations.
\(^1\) \(B\) and \(R^2\) refer to the linear regression, excluding outliers, of asset growth over leverage growth.