Bank profits are significantly lower under prolonged low interest rates.¹

The impact is very sensitive to bank characteristics.²

Sources: Bloomberg L.P.; Fitch Connect; IMF, Monetary and Financial Statistics Manual; Thomson Reuters Datastream; and IMF staff calculations.

¹Profits in panel 1 are defined as the return on equity (ROE) averaged across all banks across all years in the sample horizon (overall) or for all years in periods with prolonged low and normal interest rates.

²Impact measures represent the deviations in ROE from the average bank ROE (in percent of average bank ROE) in periods of prolonged low rates after a one-standard-deviation change from the average value of each bank business model characteristic during such episodes. Only statistically significant results are shown.