

FELABAN
Asamblea Anual 2016

**Macroeconomic Trends
and the Banking System:
Some Facts and Puzzles**

Ricardo Bebczuk
Chief Economist - BICE

November 7, 2016

Before and After the Great Recession: **A New Macroeconomic Landscape**

- ✓ Slower economic growth
- ✓ Very low or negative real interest rates
- ✓ Widespread uncertainty

→ How has this impacted on the **size** and **stability** of the banking system?

*Macro Trends and the Size of
the Banking System:
A Short-Run Analysis*

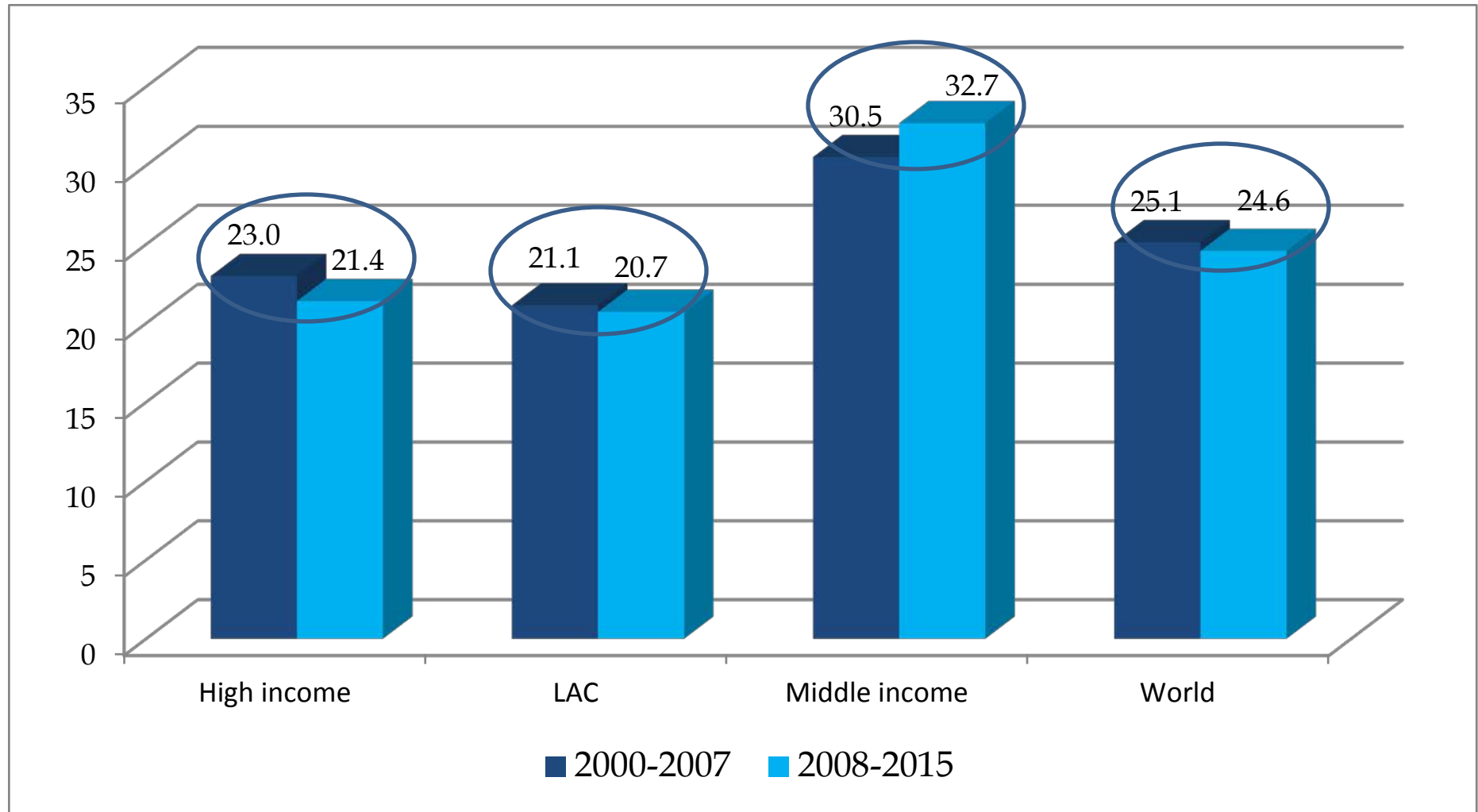
The Traditional View on Saving and Banking Intermediation



Before and After the Great Recession: **A New Macroeconomic Landscape**

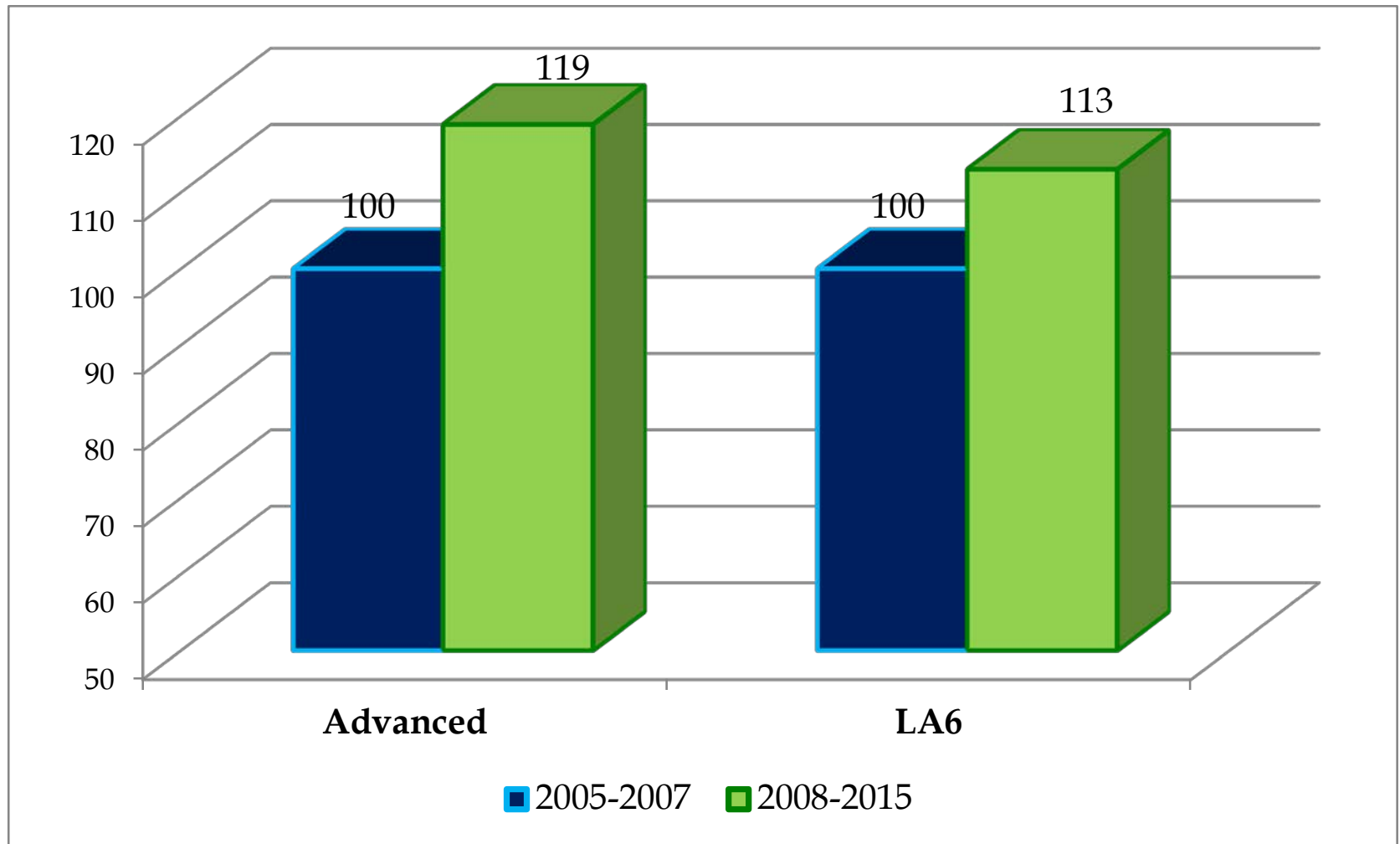
- ✓ Slower economic growth → **Lower Saving**
- ✓ Very low or negative real interest rates → **Lower Saving??**
- ✓ Widespread uncertainty → **Higher Saving**

Domestic Saving Rates around the World



Bank Deposits to GDP

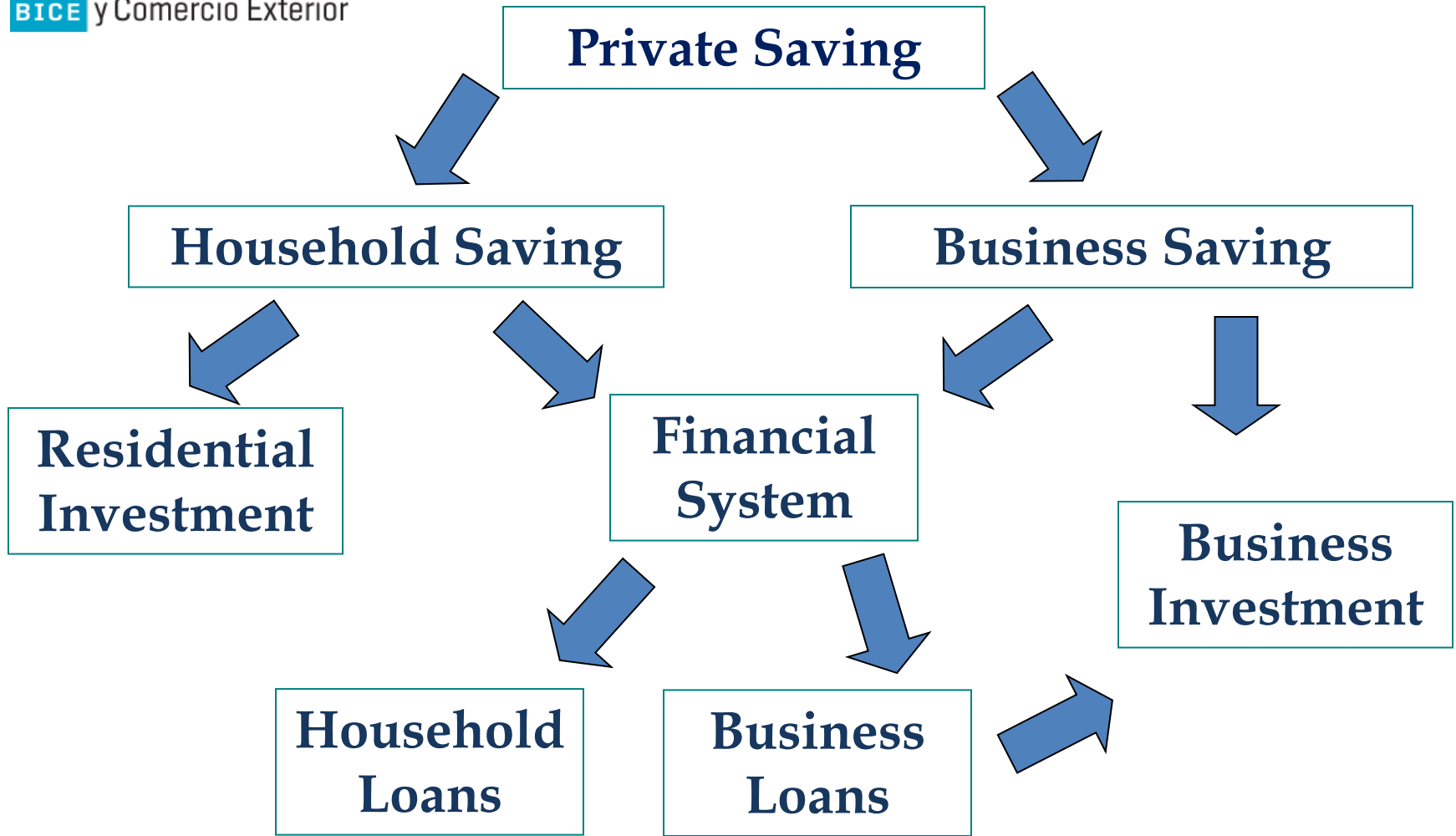
Period 2005-2007 = 100



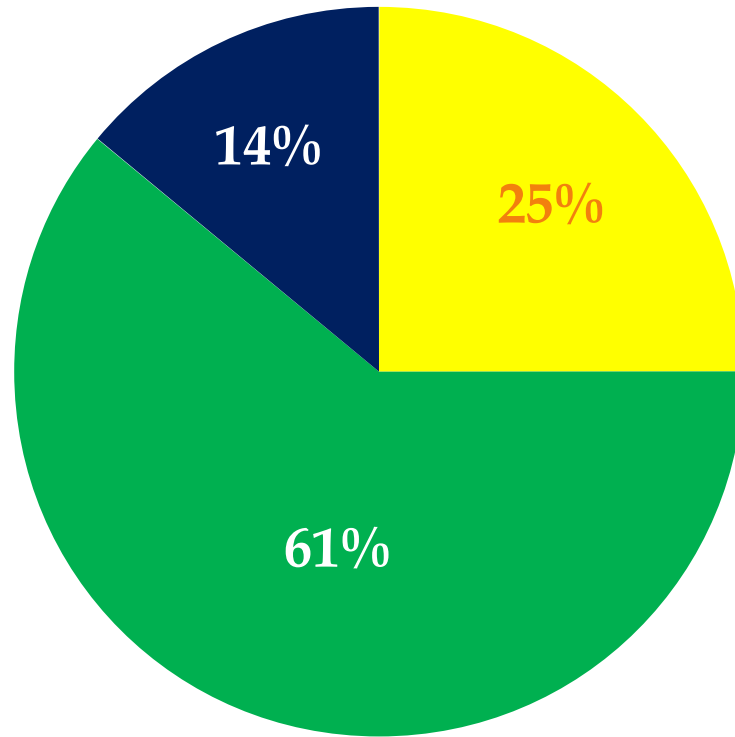
The Traditional View on Saving and Banking Intermediation



Is this the right way to look at
the banking intermediation process?



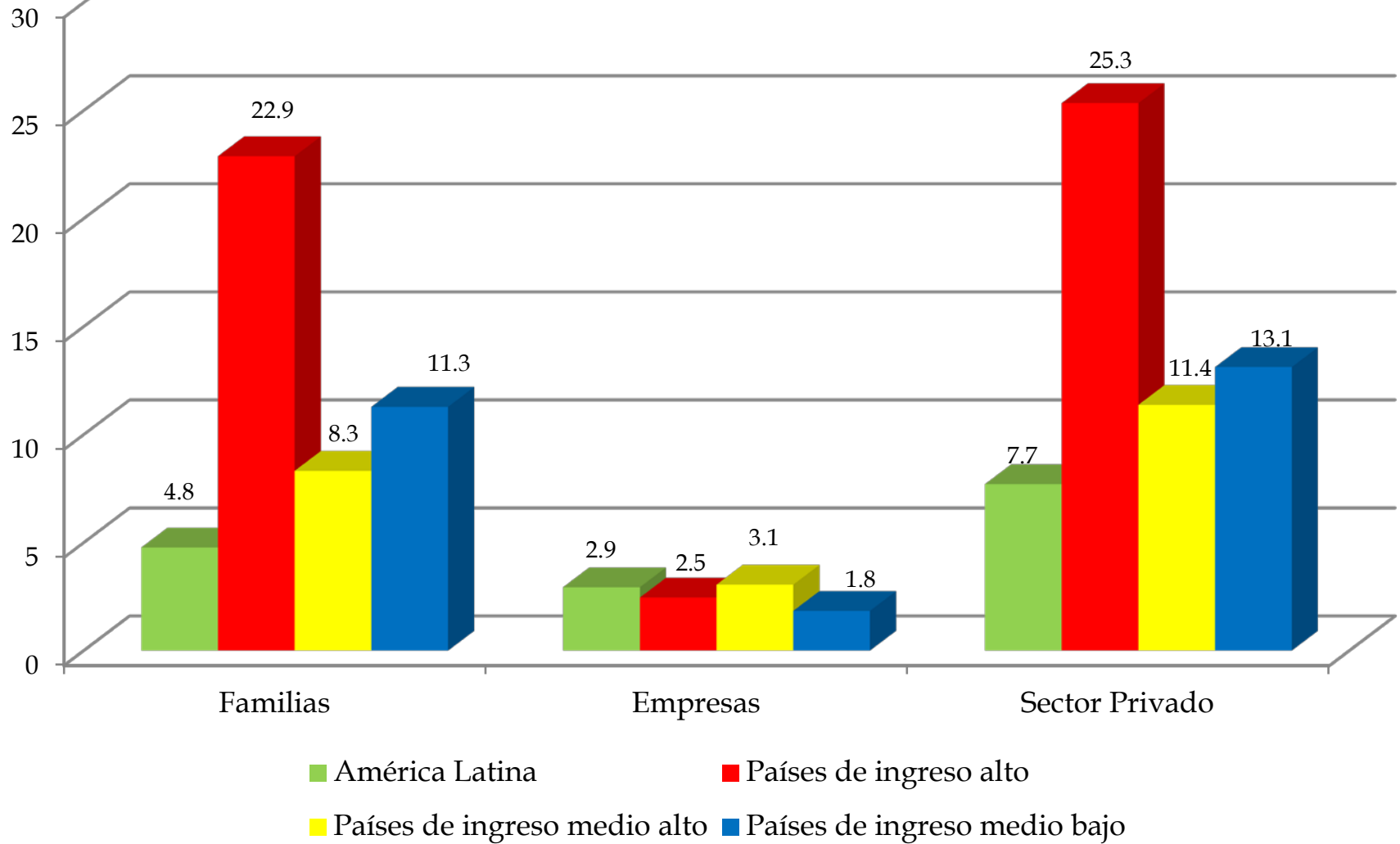
Composition of Domestic Saving around the World



■ Households ■ Businesses ■ Government

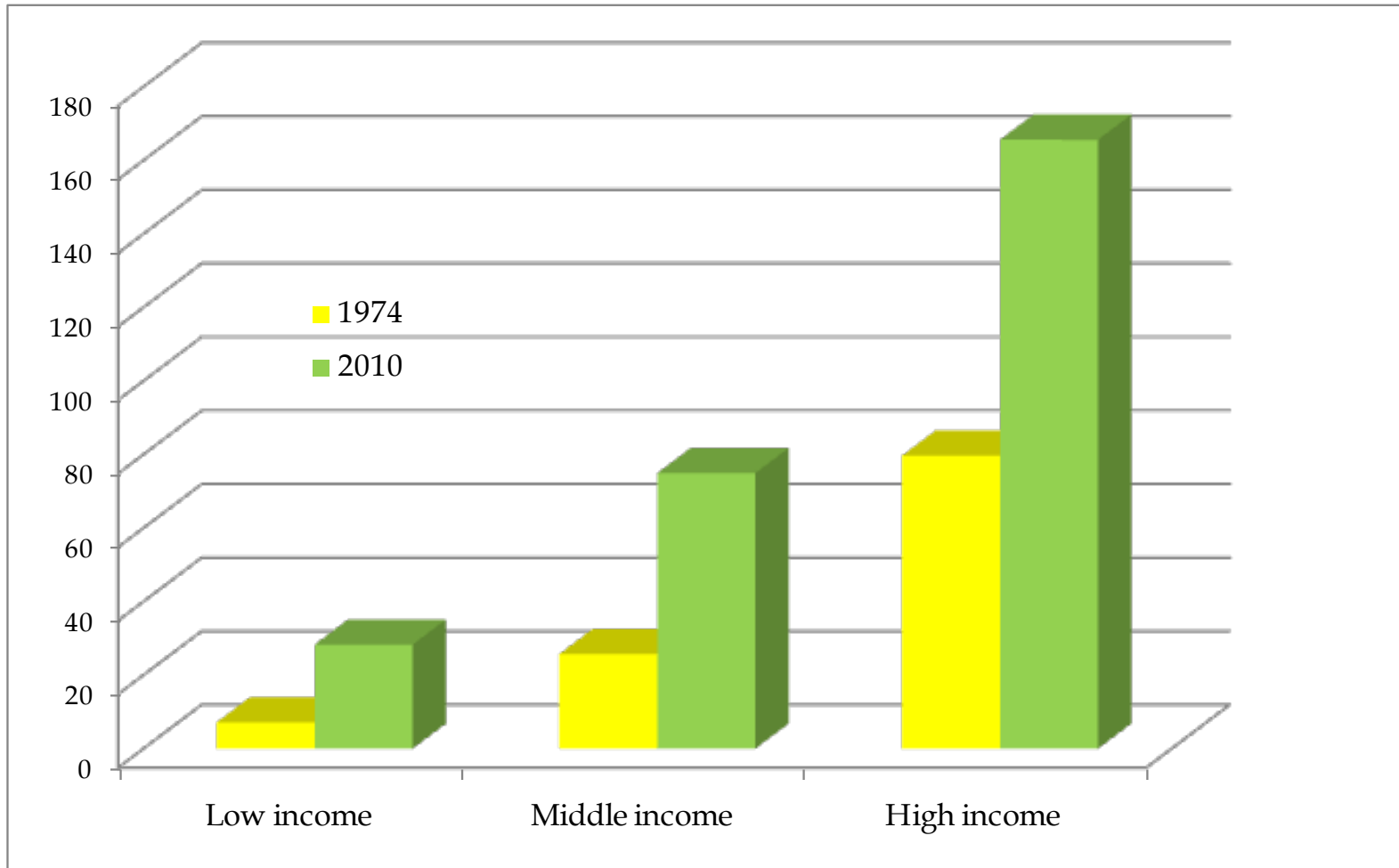
Source: Bebczuk and Cavallo (2016).

How Much Saving is Intermediated by Banks? *In % of Sectoral Saving*



*Macro Trends and the Size of
the Banking System:
A Long-Run Analysis*

An Uneven Process of Financial Deepening



Source: World Bank.

Explaining Financial Development

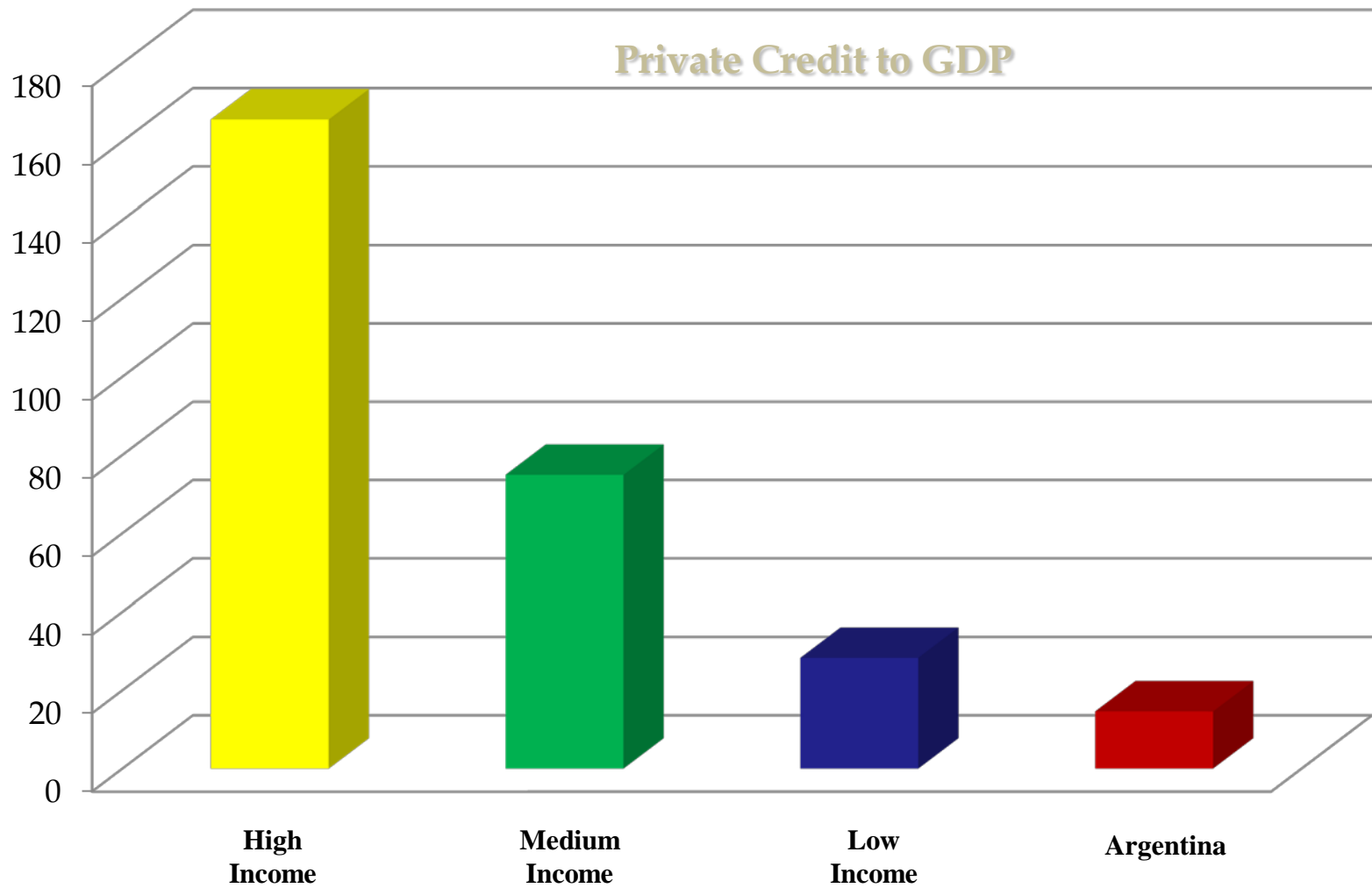
Macroeconomy

+

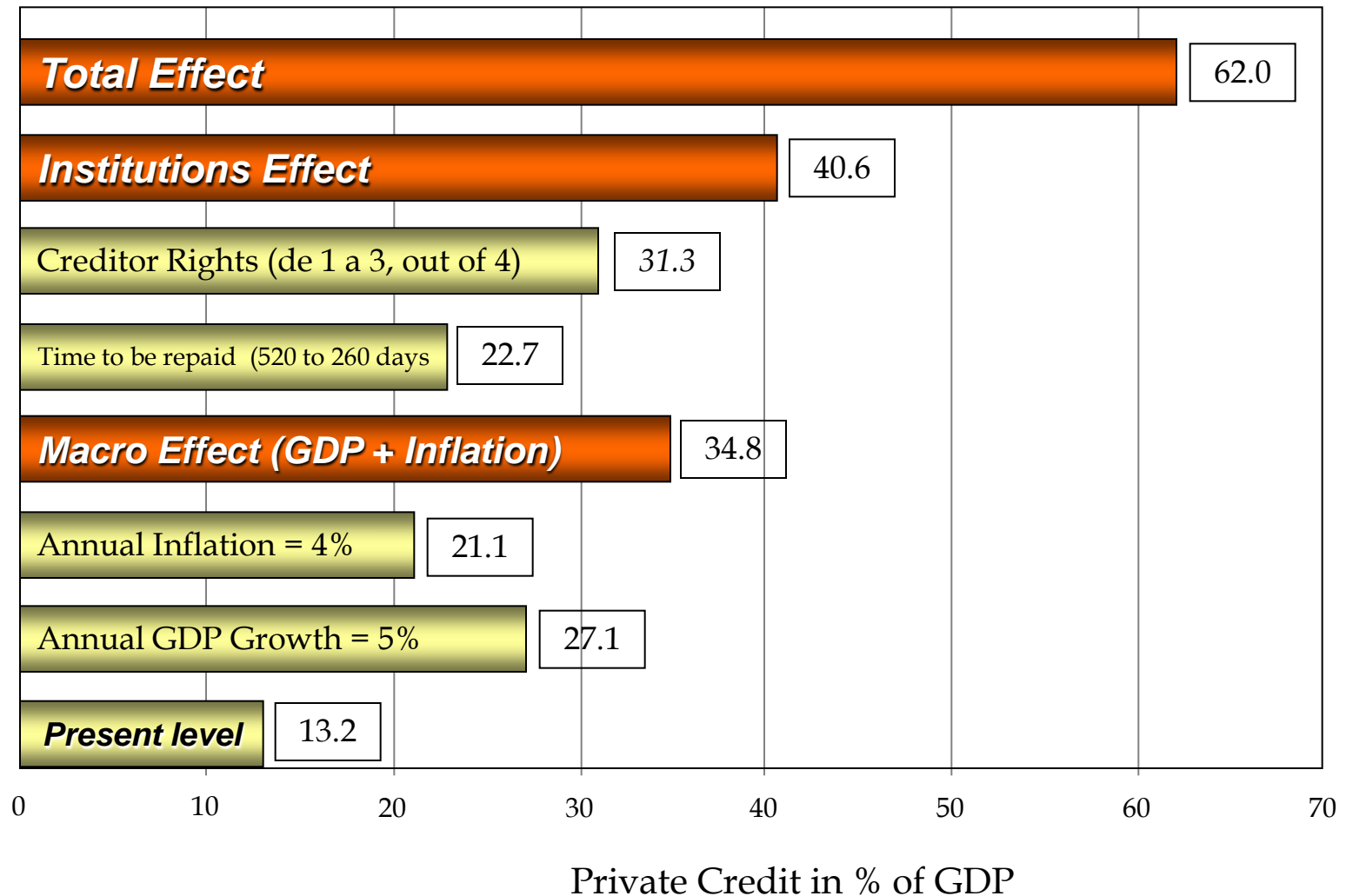
Institutions

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Financial Deepening

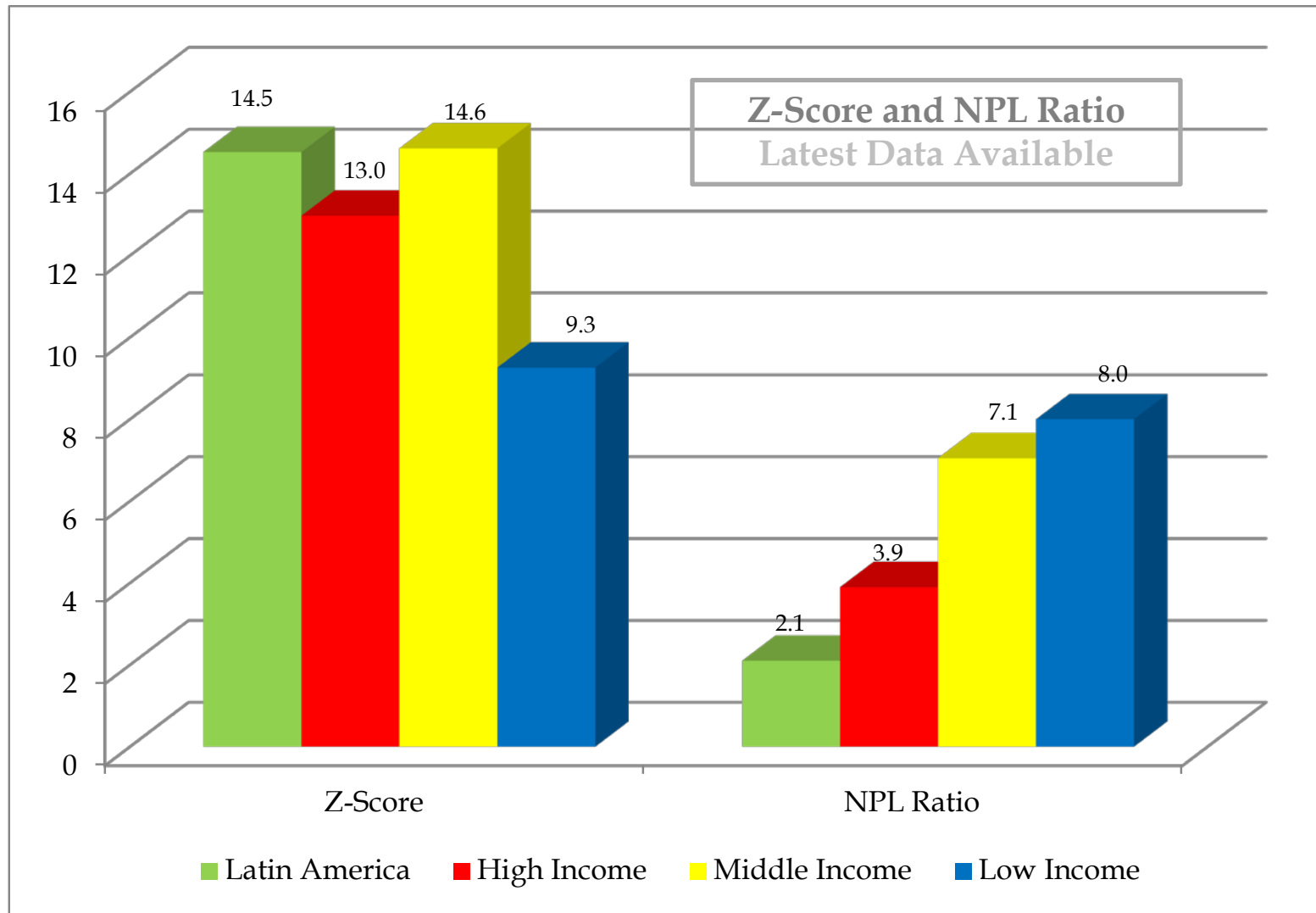


Projecting Private Credit in Argentina



*Macroeconomics
and the Stability of the
Banking System*

A Resilient Banking System



Banking System around the World: A Look at the Actual Balance Sheet

| <i>Assets</i> | <i>In %</i> |
|-----------------------------------|-------------|
| Cash | 2 |
| Securities | 36 |
| Loans | 47 |
| Other Assets | 16 |
| <i>Total Assets</i> | 100 |
| <i>Liabilities + Equity</i> | <i>In %</i> |
| Bonds | 16 |
| Deposits | 47 |
| Other Assets | 32 |
| Total Debt | 95 |
| Equity | 5 |
| <i>Total Liabilities + Equity</i> | 100 |

Source: Based on Chun, Kim y Ko (2012) for 263 big banks from 23 countries.

Bank Credit: Supply vs. Demand

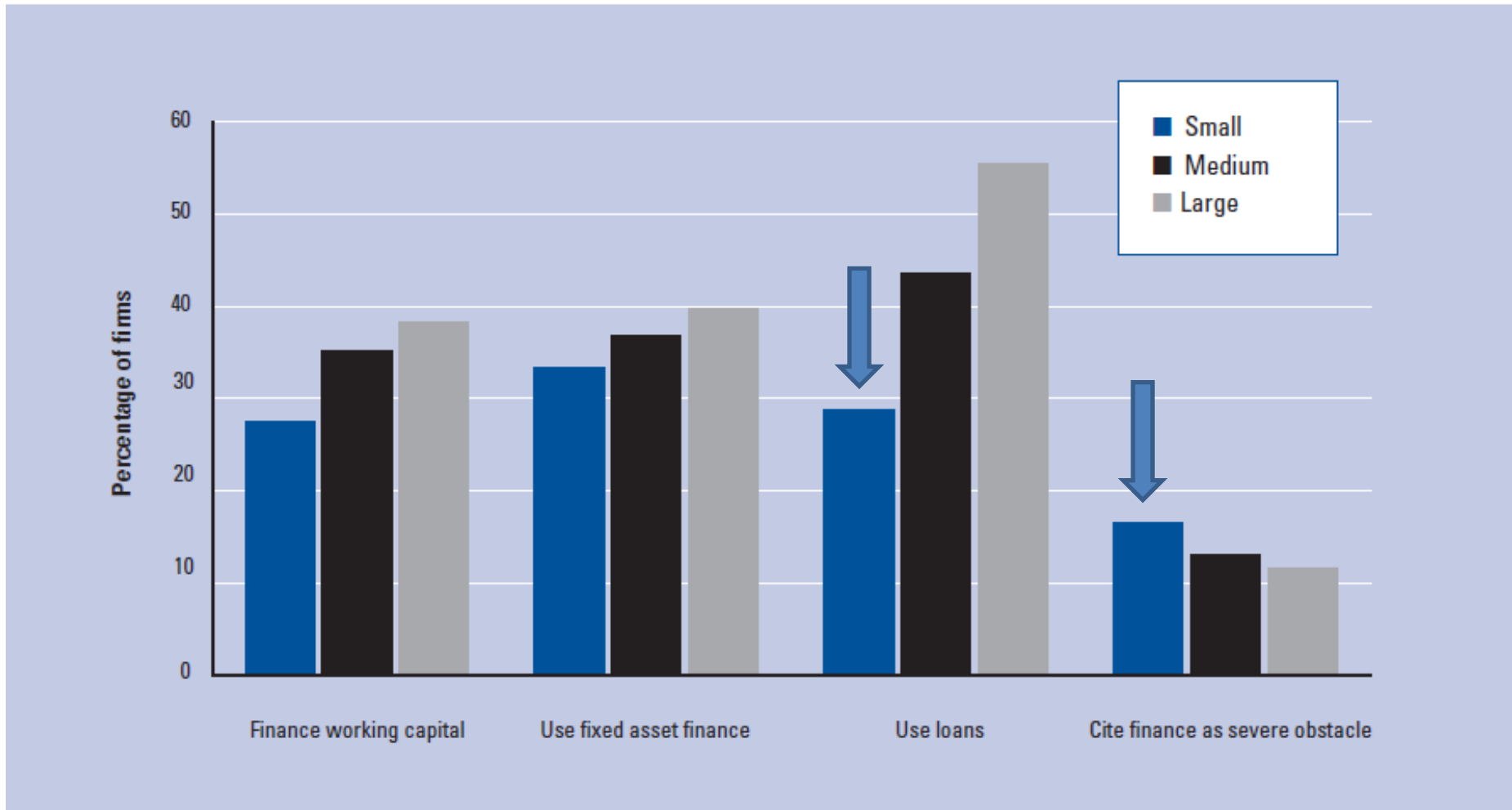
How Are Businesses Financed around the World?

| Economy | World | High-income OECD | East Asia & Pacific | Latin America & Caribbean | South Asia | Sub-Saharan Africa |
|--|-------|------------------|---------------------|---------------------------|------------|--------------------|
| Percent of firms with a checking or savings account | 87.9 | 71.2 | 89.6 | 92.9 | 81.5 | 86.6 |
| Percent of firms with a bank loan/line of credit | 35.6 | 44.0 | 40.4 | 47.6 | 30.0 | 22.0 |
| Percent of firms not needing a loan | 39.8 | 53.0 | 42.4 | 42.1 | 39.9 | 34.7 |
| Percent of firms using banks to finance investments | 26.3 | 35.6 | 27.5 | 33.6 | 29.7 | 15.1 |
| Proportion of investments financed internally (%) | 68.7 | 60.9 | 64.7 | 63.2 | 70.9 | 79.3 |
| Proportion of investments financed by banks (%) | 16.9 | 21.1 | 18.5 | 20.3 | 20.2 | 9.9 |
| Proportion of investments financed by supplier credit (%) | 4.5 | 3.5 | 2.8 | 7.5 | 1.1 | 3.6 |
| Proportion of investments financed by equity or stock sales (%) | 4.5 | 4.5 | 5.1 | 4.3 | 3.0 | 2.0 |
| Percent of firms identifying access to finance as a major constraint | 31.7 | 14.6 | 19.2 | 30.8 | 25.5 | 44.9 |

Source: Enterprise Surveys (2012), based on more than 100,000 in 125 countries. Available at www.enterprisesurveys.org

Sources of Financing Reported by Firms in 71 Countries

Figure 1: Comparison of financing of small, medium, and large enterprises



Source: The World Bank's Enterprise Surveys and author's calculations. Averages across firms and countries are from Enterprise Surveys undertaken between 2005 and 2009.

Source: Beck (2011).

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