



Discussion of the paper

Market-based finance and the business cycle

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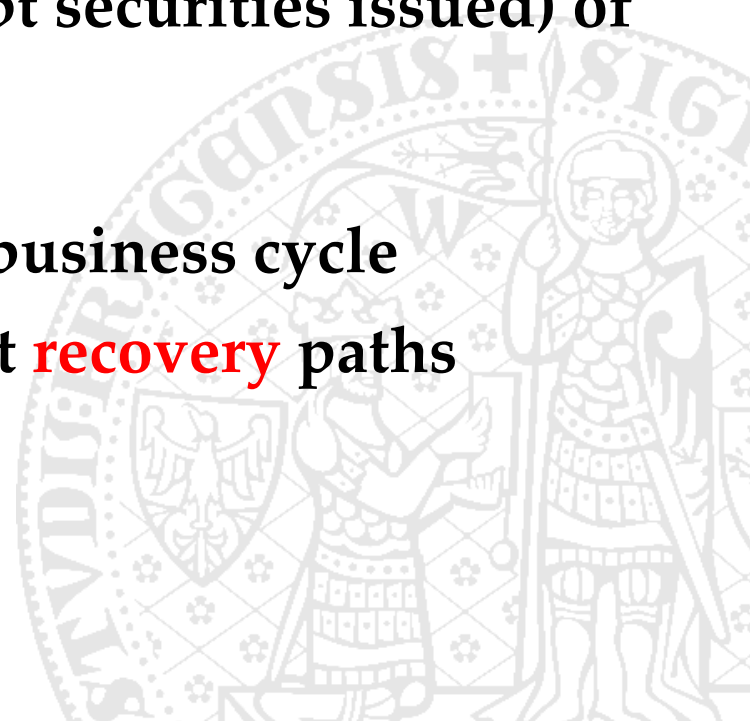
Institute of Economic Studies

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Overall assessment

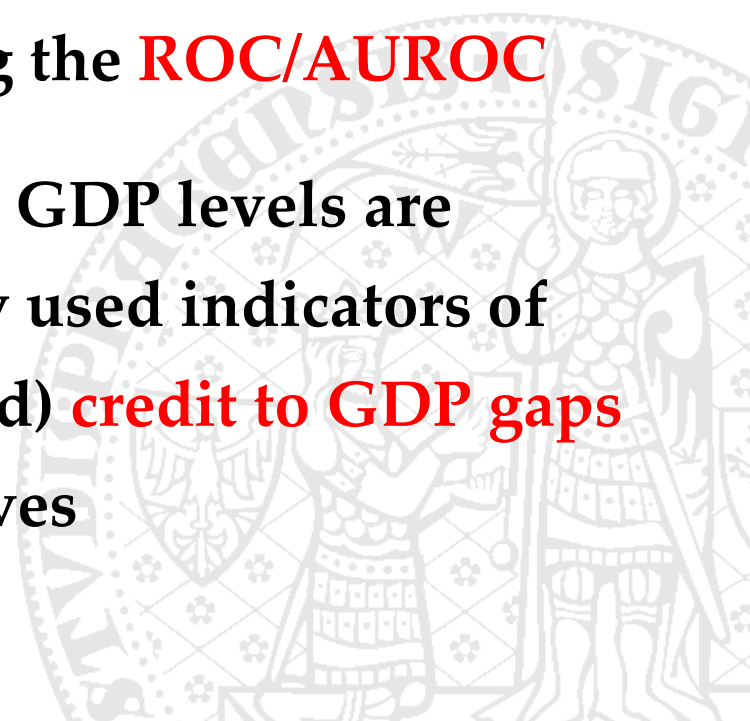
- A well-written paper **analyzing new data**
- **Novel but intuitive findings** about the role of market-based finance (debt securities issued) of NFCs
- Focus both on predicting business cycle **recessions** and subsequent **recovery** paths





Comments I

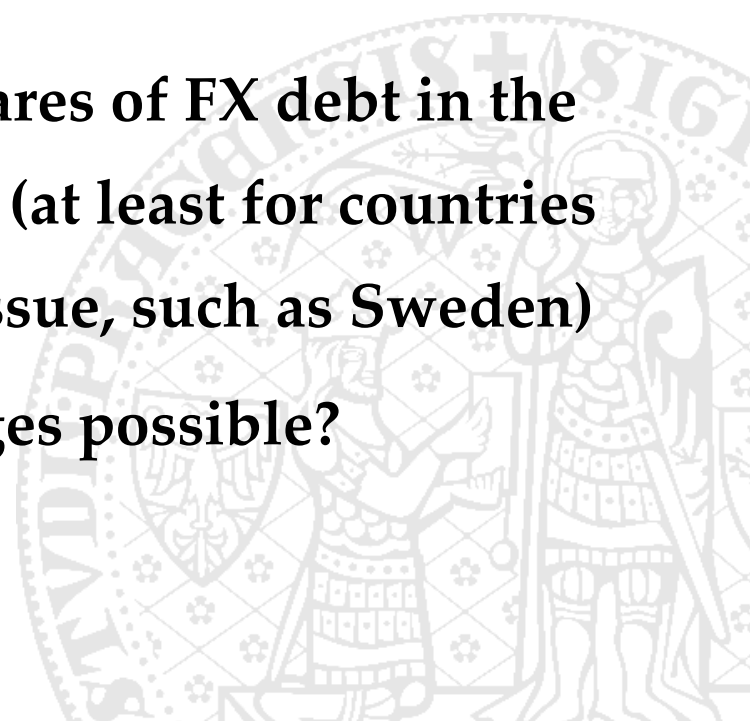
- For information, show **early warning properties of the credit variables used** (HH credit, NFC credit, NFC bank credit, NFC market-based funding) one by one using the **ROC/AUROC**
- While changes in credit to GDP levels are acknowledged and widely used indicators of excessive credit, (one-sided) **credit to GDP gaps** could be tried as alternatives





Comments II

- Credit/GDP can be influenced by **changes in exchange rate** if a large part of the debt stock is in FX
- Show, if possible, the shares of FX debt in the various credit aggregates (at least for countries where this might be an issue, such as Sweden)
- Using ER-adjusted changes possible?





Comments III

- Definition of recovery
 - cumulative log change of real GDP h quarters from the business cycle peak
 - **Alternative definitions of recovery** could be tried:
 - the **length** of the period for the GDP to recover from the trough to the level of previous peak
 - cumulative **GDP growth** over 1/2/3 years following the trough

