

COMMENTS ON ELENA DERYUGINA, OLGA KOVALENKO, IRINA
PANTINA AND ALEXEY PONOMARENKO:
**DISENTANGLING DEMAND AND SUPPLY IN LOAN
DEVELOPMENTS IN RUSSIA**

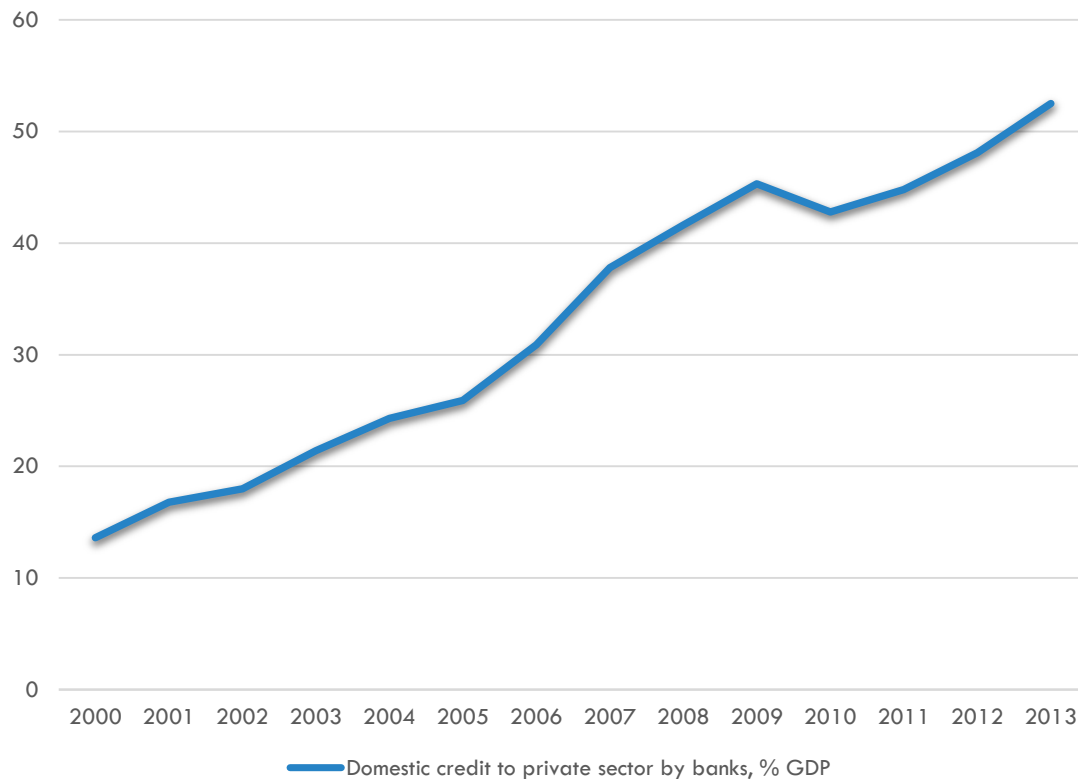
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Saariselkä 10.12.2014

WHAT DETERMINES LOAN GROWTH?

Domestic credit to private sector by banks,
Russia, % GDP



- Properly identifying the origins of loan growth (changes in supply or in demand) is of great importance for designing adequate policy responses

IDENTIFICATION OF LOAN DEMAND AND SUPPLY

- USING MACRO DATA
 - Error-correction models
 - Structural VAR models
- USING MICRO DATA
 - Single-equations models based on survey data
 - Bank-level panel data models
- DSGE MODELS
 - Models with banking sector and financial frictions

THIS PAPER APPLIES THREE METHODS:

Error-correction model (a la Brissimis et al 2014)

- Two cointegrating relationships: loan demand and loan supply
- Loans to private sector in RBL, foreign funding, GDP, inflation
- 2001Q1-2014Q2
 - Demand contributes most

Structural VAR (a la Hristov et al 2012)

- 2001Q1-2014Q2
- GDP, bank loans to households and corporations, interest rates, loans/deposits
 - Deposits supply & Demand contributes most

Bank Lending Surveys

- 2010Q4-2014Q3
- Used to explain bank level loan growth rates
- tighten/no change / eased lending standards or demand
 - Interest changes contribute most?

THE MAIN FINDINGS

- By and large the demand side has been driving credit expansion in Russia in 2000-2014
- The paper is silent on effects on real GDP growth

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GENERAL REMARKS

- Which definition of credit is preferred (domestic vs. domestic + foreign) ?
- Is the focus on household or corporate lending?
- Robustness of the results to eg excluding the GFC, alternative identification strategies, ...
- Are estimated relationships stable over time? (time-varying VAR?)
- The paper has a lots of material, careful reporting would help the reader!
- Now all interepretations are left for the reader

ON EC-MODEL

- Not a VECM but rather a Engle-Granger type 2-step procedure
- Demand equation has domestic + foreign funding on the LHS vs. Supply equation has only domestic lending ?
- Why lending is scaled by GDP? – GDP on both sides of the demand equation?
- All variables are $I(1)$, number of lags used, standard tests, stationarity of residual terms ?
- Reporting FMOLS results?
- Comparison of cointegration results to Brissimis et al (2014)?
 - In their analysis supply effects dominate
- Interpretations ?
 - e.g. $ECT(D) = ECT(S)$ indicating that supply adjusts as fast as demand?

ON VAR MODEL

- Spelling out the VAR model would help the reader
 - X(GDP, inflation, interest rates, loan volume, loans/deposits)?
 - Did you try to include interbank interest rates?
- Bayesian method NW distribution prior, no of draws, lags?
- Comparison of VAR results to Hristov et al. (2012)?
 - In previous lit shocks are typically negative, not positive
- Shocks only from credit market, none from aggregate demand?
 - Motivate the deposit supply shock
- The same model for household and corporate lending?
- Neither supply nor demand shock has an effect on GDP?

ON BLS MODEL

- Do you use micro-level data on bank lending volumes as the dependent var?
 - Is also interest rate bank-specific? But not GDP growth rate?
 - Some summary statistics would be helpful
- Panel fixed effects + lagged dependent var is not recommended
- Effect of lending conditions on loan growth is larger than demand effect ?
- Effects of changes in interest rates larger than lending conditions or demand ?



A promising paper!

MANY THANKS !

