International Banking Library

Hosted by the Halle Institute for Economic Research

IBL Quarterly Newsletter

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IWH - Halle Institute for Economic Research

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Comments and suggestions are welcome!

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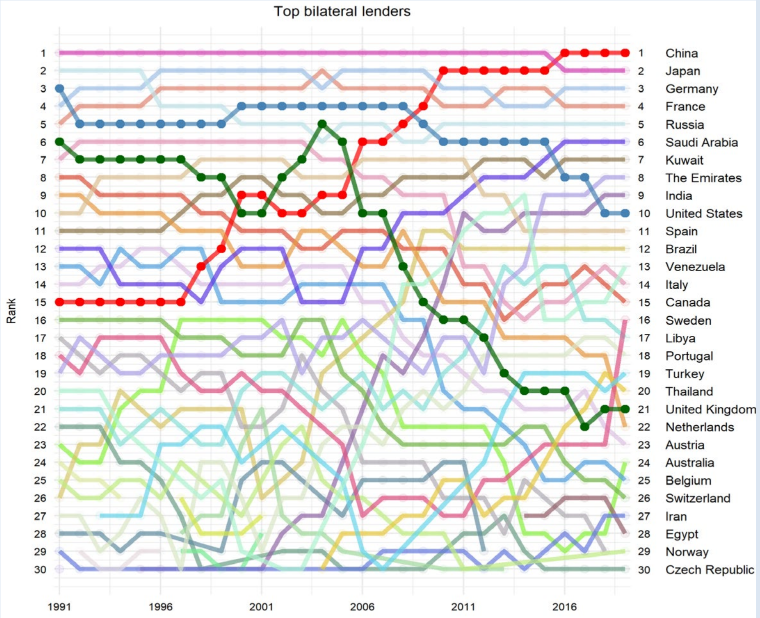
The International Banking Library (IBL)

is a web-based platform for the exchange of research on cross-border banking. The IBL-Newsletter addresses researchers working on topics related to international banking, and provides the latest updates on new research and conferences in the field. The second issue of 2021 sheds light on credit to developing countries, pre-crisis bank lending and financial regulations in a post-Covid world.

Who lends to Developing Countries?

To shed light on this question, David Milhalyi and Balint Parragi assembled a new dataset utilizing information based on the World Bank International Debt Statistics 2021. It disaggregates capital flows by debtor country, providing information on the volume and type of flows, as well as the lending countries they originate from. The graph on the right visualizes the overall importance of bilateral lenders to development countries since the early 1990s. Most strikingly, China emerged as the most important creditor over recent years, whereas capital flows from many Western nations such as the UK, the US, the Netherlands, Austria or Belgium tend to decline.



Source: Milhalyi, D. & Parragi, B. (2021). Who lends to Developing Countries?. Graph assembled from WB IDS 2021. Retrieved from https://github.com/davidmihalyi/wb-ids-lenders

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At the Research Frontier

What's new in international banking?

- ### A fistful of dollars: Transmission of global funding shocks to EMs
  Shekhar Hari Kumar and Aakriti Mathur
  IHEID Working Paper 04-2020
  Blog Post Bank Underground

- ### Original Sin Redux
  Carol C. Bertaut, Valentina Bruno and Hyun Song Shin
  Available at SSRN

- ### Arbitrage Capital of Global Banks
  Alyssa G. Anderson, Wenxin Du and Bernd Schlusche
  NBER Working Paper No. 28658

Who Lends Before Banking Crises? Evidence from the International Syndicated Loan Market

Mariassunta Giannetti and Yeejin Jang | CEPR Discussion Paper No. 15737

- **Research Question**: Do foreign lenders and creditors with lower market shares take on more and riskier loans in bust-preceding boom phases compared to established banks, thereby increasing crisis risk?
- **Data:** Data on boom periods are taken from a new dataset by Baron, Verner, and Xiong (2021); data on lending activity of different banks come from the international syndicated loan market, obtained through Dealscan.
- **Main Findings:** Banks with higher market shares take on fewer and less risky loans in pre-crisis periods compared to newcomers and foreign lenders. Since these pre-crises differences are more pronounced in industries where both parties operated in the past, the risky behaviour is less likely due to differences in knowledge or expectations; rather, non-established banks internalize the cost of risky lending to a lesser extent as they are not as connected to the financial market they operate in. No significant difference in lending behavior between more or less established banks is found for boom phases not culminating in crises.

Articles and Posts

Latest Updates

- **The effects of GSIB designation on corporate lending**
  This VoxEU column explores banks' short-term responses to their designation as "globally systemically important". After such designation, lending activity of GSIBs tends to decline, implying a reduction in systemic risk as intended by BIS policies.

- **Will Capital Flows through Global Banks Support Economic Recovery?**
  This New York FED blog post investigates the role of globally operating banks in crisis recovery. As local policymakers will aim to re-impose capital buffers, global banks may provide positive spillovers by offsetting the resulting decline in credit, depending on macroprudential policies and bank characteristics.

- **Liquidity to solvency: transition cancelled or postponed?**
  This BIS Bulletin discusses the non-actualization of predicted bankruptcies in the crisis due to the extraordinary financial support companies received. The resulting indebtedness of firms may be problematic if cash flows do not recover quickly, such that the expected insolvency wave may be postponed rather than cancelled.

Research Agenda

Forthcoming Conferences

- **52nd Annual Conference of the Money, Macro and Finance Society**
  Cambridge, UK | September 1-3, 2021
  Money Macro and Finance Society
  CfP deadline: May 15, 2021

- **2021 Annual Meeting of the Central Bank Research Association (CEBRA)**
  Massachusetts, U.S | July 7-9, 2021
  Central Bank Research Association
  CfP deadline: May 11, 2021

- **2021 Federal Reserve Stress Testing Research Conference**
  Online | October 7-8
  Federal Reserve
  CfP deadline: June 15, 2021

