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Countercyclical Capital Buffers and Credit-to-GDP Gaps: Simulation for Central, Eastern, and Southeastern Europe

Adam Geršl & Jakub Seidler

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Keywords

JEL Classification: G01 G21 G18

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The findings, interpretations, and conclusions expressed in this article are entirely those of the authors and do not represent the views of the institutions with which the authors are affiliated.

Notes

¹ In this article, the group of CESEE countries includes the following sixteen countries (ordered alphabetically): Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, FYR Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia.

² In exceptional circumstances, the authorities can also set the buffer rate above 2.5%.

³ One way of dealing with end-point bias is to extend the time series into the future by means of prediction. This, however, can introduce further uncertainty into the estimate linked with the prediction.

⁴ We have also considered the impact of a foreign crisis (Portugal) on the external debt-to-GDP ratio (Portugal) and the external debt-to-GDP ratio (Portugal) leverage ratio (Portugal).

⁵ The Bank of Portugal has implemented a policy of just ban on the use of the term "sovereign" rather than "sovereign" in the underlying model. This has also been done only with the use of the term "sovereign" in the underlying model.

⁶ Based on the results of the model, being an efficient market. The MG estimate for each country. The Hausman test only those variables that are not in the equation (2001), so inflation is present in the short-run part of the equation but not in the long-run part.

Moreover, the low value of the correlation coefficient between cons/gdp and gdp/pop indicates that there is no possible multicollinearity problem.

⁷ [Appendix 2](#) includes figures for all sixteen CESEE countries, showing the development of the credit-to-GDP ratio since the mid-1990s, the estimated (one-sided) HP-trend credit, the equilibrium credit, and both alternative measures of the credit-to-GDP gap.

⁸ As a robustness check, we have also tested the signaling power of the 2006 levels, and the results do not differ substantially.

Additional information

Notes on contributors

Adam Geršl

Adam Geršl is at the Joint Vienna Institute in Vienna, Austria, and the Czech National Bank (on leave), and Charles University (on leave), Prague, Czech Republic. Jakub Seidler is at the ING Bank and Charles University, Prague, Czech Republic.

Jakub S

Adam C

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Czech R



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