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A macroprudential approach to address liquidity risk with the loan-to-deposit ratio

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Abstract

This paper maps the empirical features of the loan-to-deposit (LTD) ratio with an eye on using it to monitor and cycle between unsustained and cyclical LTD trends

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Disclosure statement

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Notes

1. This outcome is based on F-tests for seasonality (X-12 seasonality adjustment method) and simple regression analysis with end-year dummies.
2. Adjustments for sales and securitization are not available for loans to non-financial companies and households in our time sample. The ECB Statistical Data Warehouse publishes growth rates of total loans to non-financial institutions excluding governments, adjusted for sales and securitization. We apply this correction factor (based on growth rates) to loans of companies and households.
3. The deposit ratio is defined as deposit holdings at banks over total financial assets (source: [ECB](#)).
4. For more details on the construction of the variables, see the appendix. We gratefully acknowledge the help of the ECB Statistical Data Warehouse.
5. The results are robust to different specifications, as indicated by the underlined by the simulation results. The results are also robust to the inclusion of the control variables. The results are not the case any more.

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