International Experience with Macroprudential Policy

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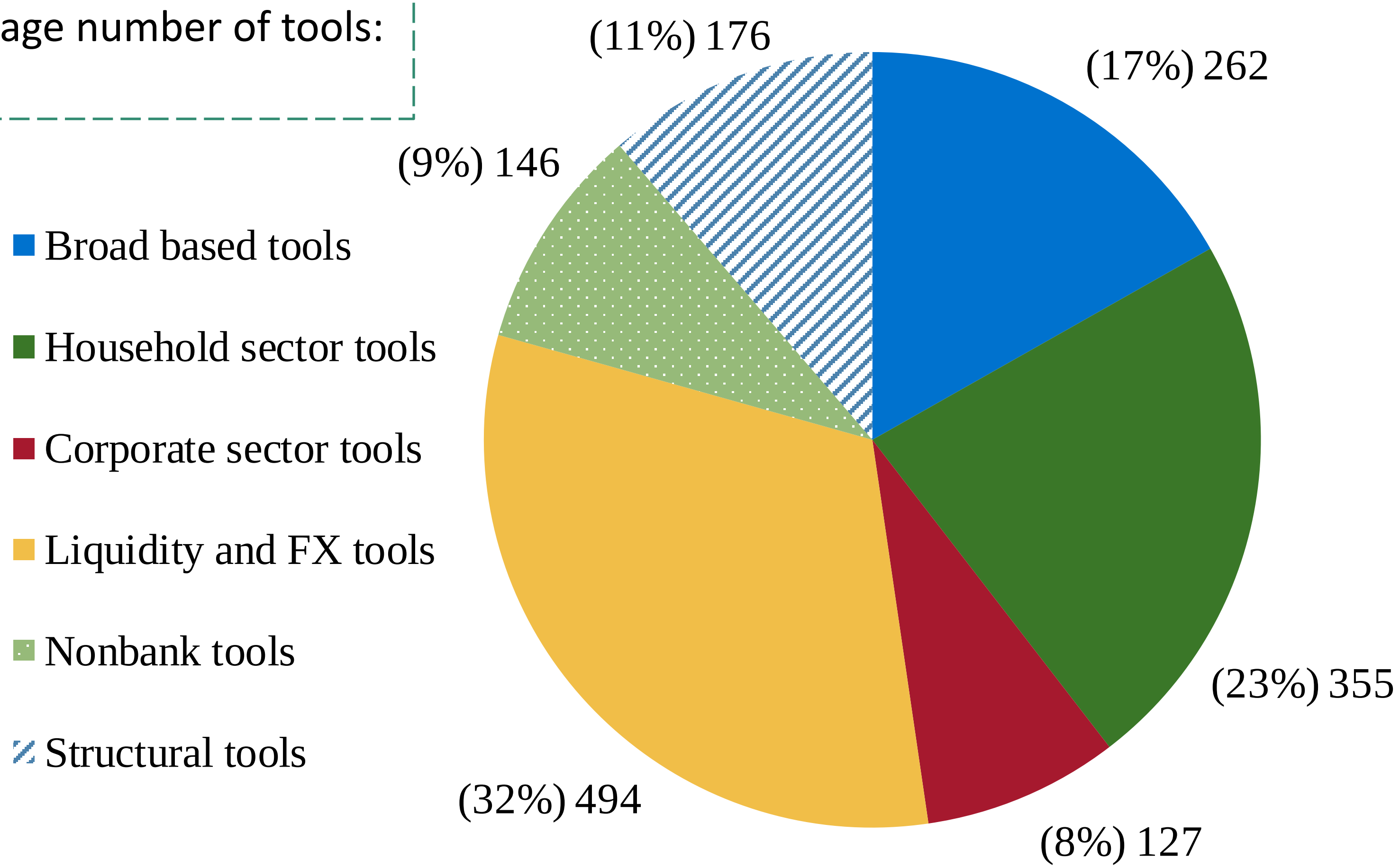
Outline

1. **Use of macroprudential measures around the world**
   - Based on the IMF Annual Macroprudential Policy Survey
2. **New IMF research on the effectiveness of macroprudential tools**
   - Based on a new integrated macroprudential database

Use of macroprudential measures around the world

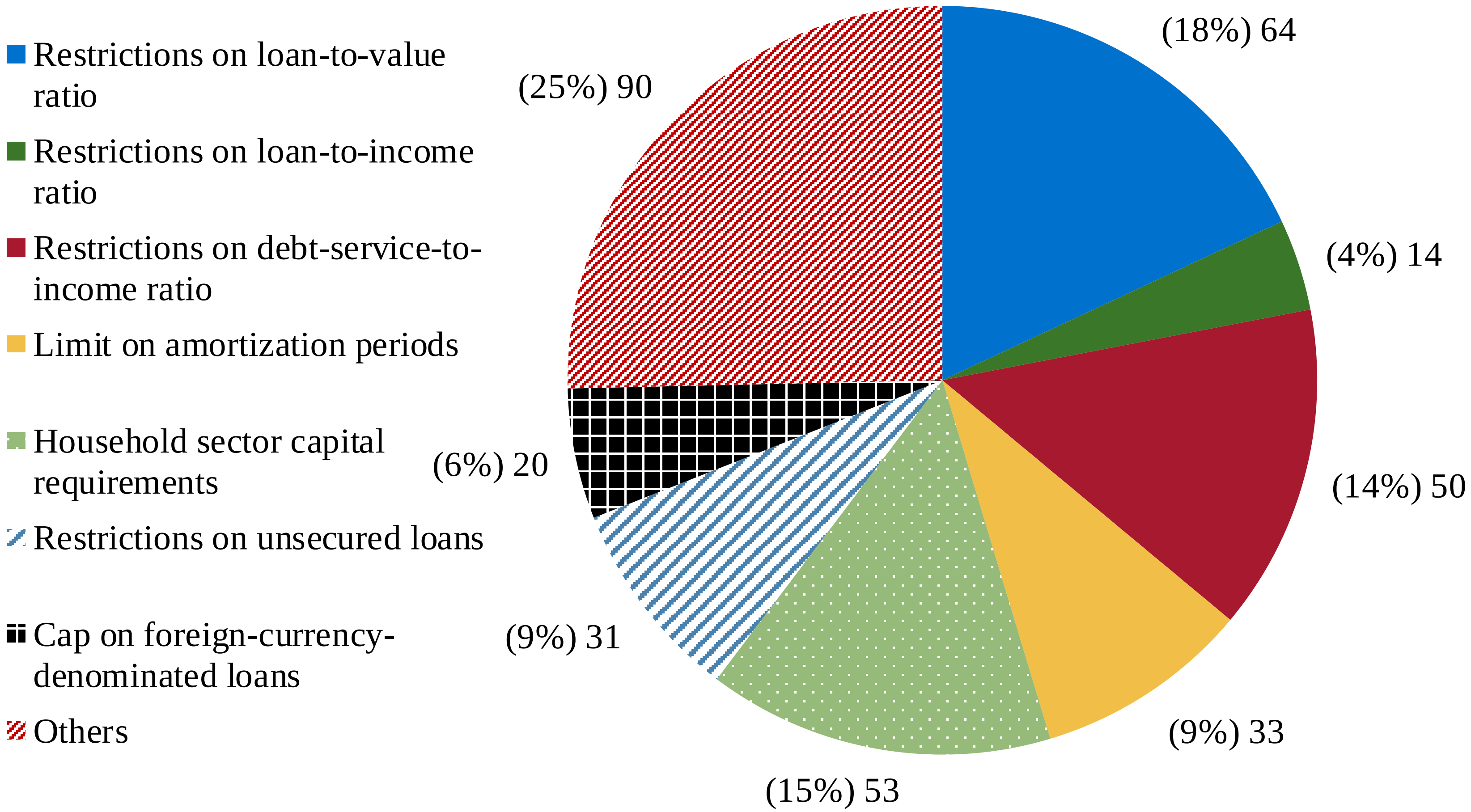
Countries are using the whole range of tools....

Total number of tools:
1,560
Average number of tools:
10.2



Source: IMF Macroprudential Policy Survey Database. Note: Numbers denote frequency of measures reported; percentages denote the share among total measures reported.

… often using a variety of tools for the household sector



Source: IMF Macroprudential Policy Survey Database.
Note: Numbers denote frequency of measures reported; percentages denote the share among total measures reported.

Use of CCyB: still room for further action

- **73 jurisdictions indicated the existence of a CCyB framework, however, only relatively few countries have set a positive buffer rate**

Jurisdiction	Current buffer	Effective date	Pending buffer	Effective date
Hong Kong SAR	2.50%	January 2019		
Sweden	2.50%	September 2019		
Norway	2.00%	December 2017	2.50%	December 2019
Iceland	1.75%	May 2019	2.00%	February 2020
Czech Republic	1.50%	July 2019	1.75% 2.00%	January 2020 July 2020
Slovakia	1.50%	August 2019	2.00%	August 2020
Denmark	1.00%	September 2019	1.50%	June 2020
United Kingdom	1.00%	November 2018		
Ireland	1.00%	July 2019		
Lithuania	1.00%	June 2019		
France	0.25%	June 2019	0.50%	April 2020
Bulgaria	0%		0.50% 1.00%	October 2019 April 2020
Belgium	0%		0.50%	July 2020
Germany	0%		0.25%	July 2020
Luxembourg	0%		0.25%	July 2020

Sources: ESRB, BIS, IMF Macroprudential Policy Survey.

New IMF research on the effectiveness of macroprudential policy

New IMF research on the effectiveness of macroprudential policy

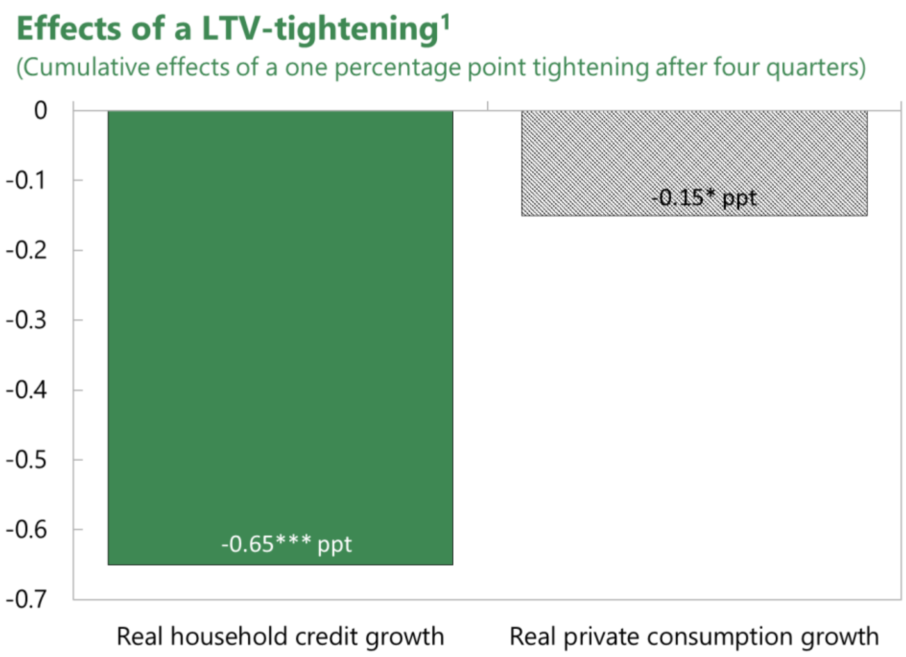
Digging Deeper into the quantitative effects of macroprudential policy

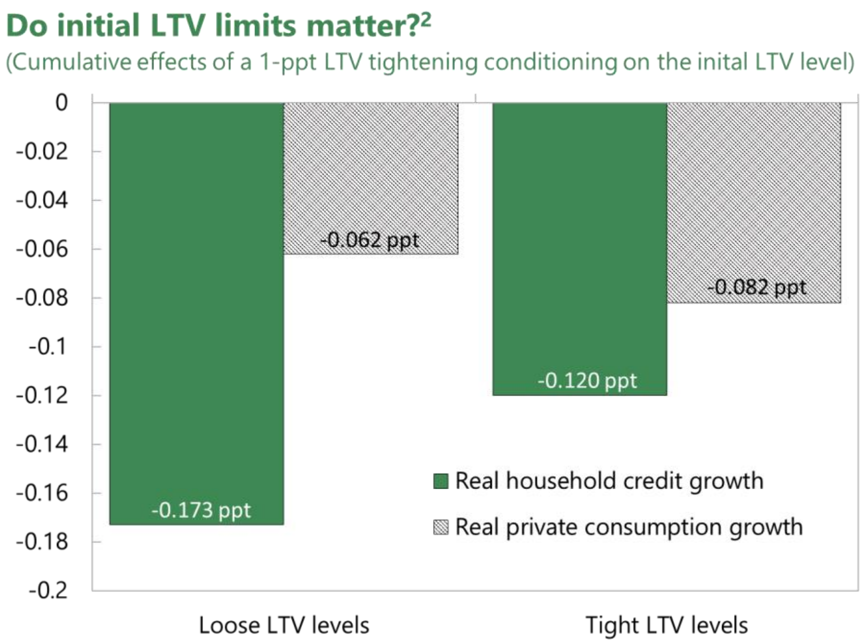
- Alam, Alter, Eiseman, Gelos, Kang, Narita, Nier and Wang (2019)
- Presents a new database and digs deeper into the quantitative effects of macroprudential policies—in particular for borrower-based tools

Macroprudential policy helps limit growth-at-risk

- Gelos, Brandao Marques, Nier (forthcoming)
- Easing financial conditions can put GDP at risk; macroprudential policy can mitigate those risks while monetary policy is less usefu

Digging deeper into the quantitative effects of LTV caps



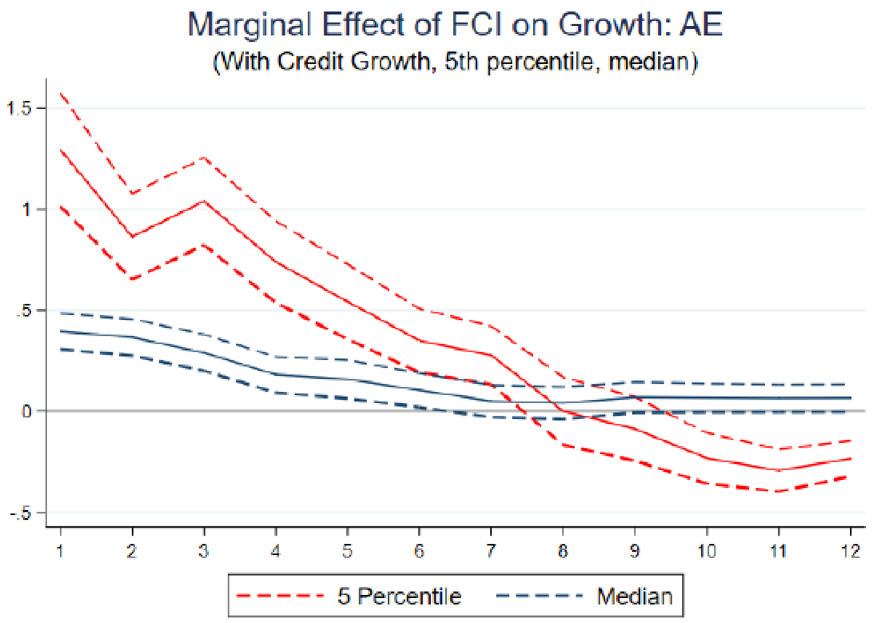


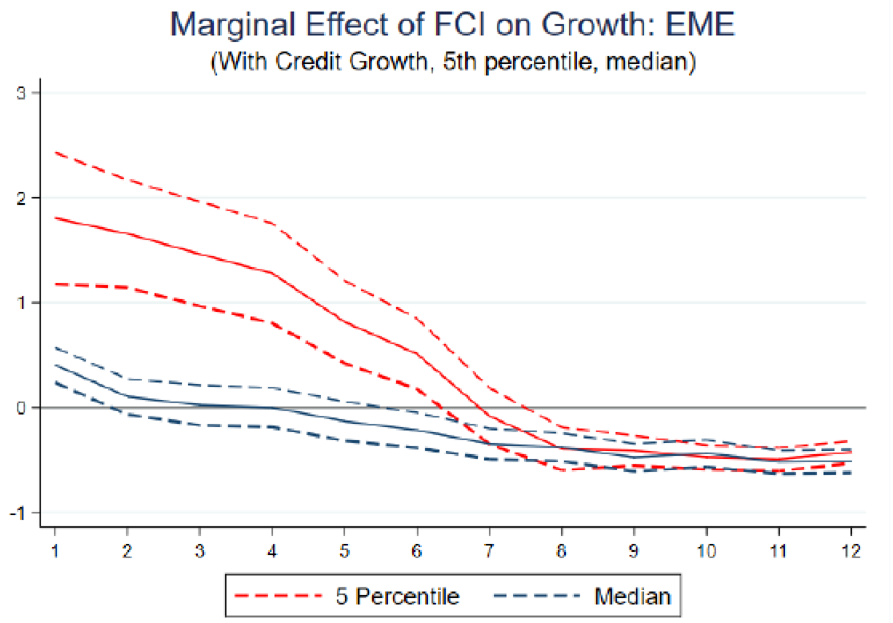
- LTV tightening is **effective** in reducing household credit growth, and side-effects on consumption growth are limited …
- … however, **initial LTV levels matter**…
- … hence a **portfolio approach** is preferred where LTV limits are complemented with other measures

1. Effects of a one-ppt LTV tightening where the overall tightening is less than 10 ppt—obtained by the augmented inverse propensity-score weighted estimation. 2. Estimated by the fixed effects estimation with the timing assumption. "Loose LTV levels" refers to greater or equal to 100 percent and 90 percent in AEs and EMs, respectively. Source: Alam et al. (2019).

Growth at Risk—intertemporal trade-off between financial conditions and downside risk

Loose FC lead to buildup in financial vulnerabilities (Adrian and others, 2019)



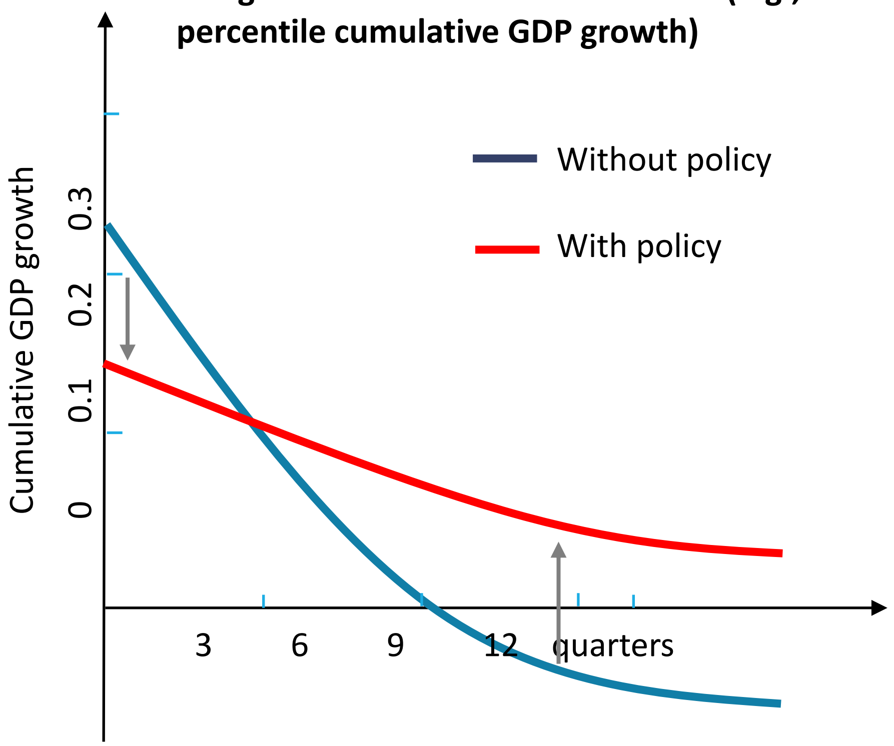


Source: Adrian and others (2018)

Can macroprudential and other policies improve trade offs in response to financial shocks?

- Tightening MPM (red line) when financial conditions loosen (blue line) mitigates negative GaR (20th percentile).
- Need to look at entire distribution of future outcomes
- Examine different policies and compare
- Macroprudential policies appear to be effective

Marginal effect of FCI shocks on GaR (e.g., 20th percentile cumulative GDP growth)



Source: Brandao-Marques, Gelos, Narita, and Nier (forthcoming).

Thank you

References

- Alam, Z., A. Alter, J. Eiseman, G. Gelos, H. Kang, M. Narita, E. Nier, and N. Wang, 2019, Digging Deeper—Evidence on the Effects of Macroprudential Policies from a New Database, IMF Working Paper no 19/66.
- Brandao-Marques, L. G. Gelos, M. Narita, and E. Nier, 2019, Toward a Cost-Benefit Analysis of Macroprudential and Monetary Policies, IMF Working Paper, forthcoming.
- The IMF’s Annual Macroprudential Survey
  - Survey database
  - Objectives, Design and Country Responses
- The IMF's historical iMaPP database
  - iMaPP database