

Identifying excessive credit regimes

The calibration of the countercyclical capital buffer is majorly informed by the credit-to-GDP gap. To complement this indicator, we utilize an approach to distinguish between periods of equilibrium credit and phases where credit is not in line with its fundamental determinants, GDP and interest rates. We distinguish phases where a reversion of credit growth towards the long-run equilibrium takes place, while in other phases this cannot be observed. In our approach, transition between phases depends on exogenous variables. This multivariate approach complements univariate measures of excessive credit growth.

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