

IWH Research Seminar in Economics

Montag, 25. Januar 2016, 14:15 – 15:45 Uhr

Leibniz-Institut für Wirtschaftsforschung Halle (IWH), Konferenzsaal im Erdgeschoss



Leibniz-Institut für
Wirtschaftsforschung
Halle



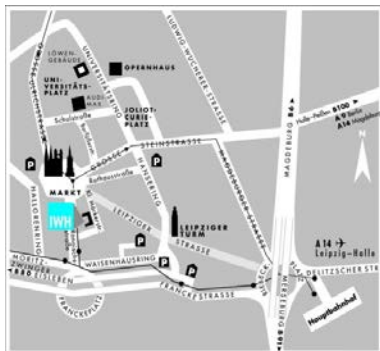
**BANK LENDING IN A SMALL OPEN ECONOMY:
DOES MONETARY POLICY MATTER?**

Professor Dr. Valeriya Dinger

Universität Osnabrück

Mitglied der

Leibniz
Leibniz-Gemeinschaft



**Leibniz-Institut für
Wirtschaftsforschung Halle (IWH)**

Kleine Märkerstraße 8
D-06108 Halle (Saale)

Postfach: 11 03 61
D-06017 Halle (Saale)

Telefon: +49 345 7753 60
Telefax: +49 345 7753820
Internet: www.iwh-halle.de

BANK LENDING IN A SMALL OPEN ECONOMY: DOES MONETARY POLICY MATTER?

Professor Dr. Valeriya Dinger

Universität Osnabrück

(gemeinsam mit Jin Cao and Artashes Karapetyan, Norges Bank, Oslo)

Existing empirical studies on the effect of monetary policy on bank lending almost exclusively focus on a closed economy setting and ignore the interactions between domestic monetary policy and international financial markets. This closed economy setting is outdated given that the modern financial system is marked by global flows of funds and diverse funding opportunities for banks. In this paper, we explore a novel and unique dataset which includes the currency composition of all balance sheet positions of Norwegian banks in the period from 1994 to 2015 to examine the effect of local and international factors on bank lending. We show that domestic monetary policy when studied in isolation of international factors plays a very limited role in the determination of lending in Norway. We explain this result by the observation that Norwegian banks change the currency composition of their liabilities in response to changes in the domestic relative to foreign interest rates as well as to movements in the exchange rate. A series of tests exploring the interaction between interest rate differentials and exchange rate dynamics indicate that lending is shaped by the degree to which the dynamics of currency exchange rates deviates from the prediction of uncovered interest rate parity.

Wissenschaftliche Ansprechpartnerin am IWH:

Lena Tonzer, Ph.D.

Tel.: +49 345 7753 835, E-Mail: Lena.Tonzer@iwh-halle.de