



Cyprus University of Technology
Department of Commerce, Finance and Shipping

Seminar Talk

Friday, 10-Oct-2014, 12:30 – 13:30
(Conference Room, 2nd floor, Continental Building)

**In Lands of Foreign Currency Credit,
Bank Lending Channels Run Through?**

The Effects of Monetary Policy at Home and Abroad
on the Currency Denomination of the Supply of Credit

by

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Abstract

We analyze the differential impact of domestic and foreign monetary policy on the local supply of bank credit in domestic and foreign currencies. We analyze a novel, supervisory dataset from Hungary that records all bank lending to firms including its currency denomination. Accounting for time-varying firm-specific heterogeneity in loan demand, we find that a lower domestic interest rate expands the supply of credit in the domestic but not in the foreign currency. A lower foreign interest rate on the other hand expands lending by lowly versus highly capitalized banks relatively more in the foreign than in the domestic currency.

*** Joint work with Ibolya Schindele and Dzsamila Vonnák.**