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Essays on the U.S. financial cycle: construction, real effects and cross-border spill-overs

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DOI:
[10.33612/diss.93764840](https://doi.org/10.33612/diss.93764840)

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Document Version
Publisher's PDF, also known as Version of record

Publication date:
2019

[Link to publication in University of Groningen/UMCG research database](#)

Citation for published version (APA):
Rozite, K. (2019). *Essays on the U.S. financial cycle: construction, real effects and cross-border spill-overs*. [Thesis fully internal (DIV), University of Groningen]. University of Groningen, SOM research school.
<https://doi.org/10.33612/diss.93764840>

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Appendix D.

Table D.0.1: A brief literature review

Publication	Method	Indicators	Sample	Country	Findings
Igan, Kabundi, Simone, Pinheiro, Tamirisa (2009)	Corbae-Ouliaris ideal band-pass filter and large dimensional approximate generalized dynamic factor model.	Indicators of real activity: consumption, investment, international trade, confidence indicators, international portfolios, direct investment flows, consumer prices, bank credit to private sector, house and stock prices, monetary aggregates, interest rates.	1981–2006	20 advanced economies	The degree of co-movement between house prices, credit, and output varies considerably across and even within individual countries over time. The U.S. has the leading role of economic activity.
Adrian, Estrella, Shin (2010)	Vector auto-regression model	Slope of the yield curve, GDP growth, the net interest margin of large commercial banks, the quarterly asset growth of shadow banks, the 3-month Treasury yield, the quarterly change in the Chicago Board Options Exchange Volatility Index (VIX) as a measure of risk.	1990–2008	U.S.	Results are consistent with the hypothesis of the causal chain that runs from the term spread to net interest margin to lending volume and finally to real growth.

Hatzius, Hooper, Mishkin, Schoenholtz, Watson (2010)	Factor models: factors obtained as principal components. Eliminate variability in the financial variables explained by current and past real activity and inflation.	45 variables, e.g., interest rate levels and spreads, asset prices, stock and flow quantities, surveys, 2nd moment and risk measures	1960s; 1980s; 1990s'; 2000–2009	U.S.	Interest rate spreads have been the most important source of movement of Financial conditions index.
Chen, Kontonikas, Montagnoli (2012)	Multivariate unobserved components model with phase shifts, short and long -term cyclical components.	Short-term interest rates, output, real house and stock prices, credit.	1965–2010	U.S.	Close linkages amongst cyclical fluctuations in the variables, more in the short-run (6 years) than in the long run (15 years). At the business cycle frequency, output and asset prices tend to lead interest rate and credit in a pro-cyclical fashion.
Claessens, Kose, Ferrones (2012)	Turing points in log-levels of the series and concordance index	Aggregate claims on the private sector by deposit money banks, house and equity prices	1960–2007; 1978–2007	21 advanced OECD and 23 emerging market economies	Financial cycles tend to be longer, deeper, and sharper than business cycles. Both tend to be more pronounced in emerging markets than those in advanced countries. Cycles in output tend to display a high degree of synchronization with cycles in credit and house prices but not in equity prices.
Drehmann, Borio, Tsatsaronis (2012)	Univariate analysis of turning points, frequency-based filters on the annual growth rates. Isolate cycles 8–30 years. Filtered series are averaged.	Credit to private, non-financial sector, credit to GDP, real property and real equity prices, index of aggregate asset prices all series are deflated by CPI.	1960–2011	AU, DE, JP, NO, SE, U.K., U.S.	The financial cycle is best characterized by the co-movement of medium-term cycles in credit and property prices. The financial cycle length has increased since the mid-1980s. This coincides with liberalization and credible anti-inflation regimes.

Galati, Koopman, Hindrayanto, Vlekke (2016)	Unobserved component models with univariate and similar cycle specifications.	Credit, credit to GDP, real house prices	1970–2014	U.S., DE, FR, IT, ES, NL	Financial cycles are longer than business cycles and have a higher amplitude. In the U.S. financial cycles have increased in amplitude and duration since the mid-1980s.
Rünstler and Vlekke (2016)	Multivariate unobserved components model with phase shifts to estimate trend and cyclical components.	Real GDP, real total credit volumes and an index of real residential property prices.	1973–2014	U.S., DE, FR, IT, NL, ES	Large and long cycles in credit and house prices with a cycle length 12–18 years. Differences across countries in the length and size of cycles. Financial cycles are highly correlated with a medium-term component in the GDP.

Notes: U.S. for the United States, AU for Australia, DE for Germany, JP for Japan, NO for Norway, SE for Sweden, UK for the United Kingdom, FR for France, IT for Italy, ES for Spain, NL for the Netherlands.