

# **FINANCING IN A MACROECONOMIC PERSPECTIVE: BALANCING RISKS AND GROWTH**

Presented by:  
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**International Monetary Fund**



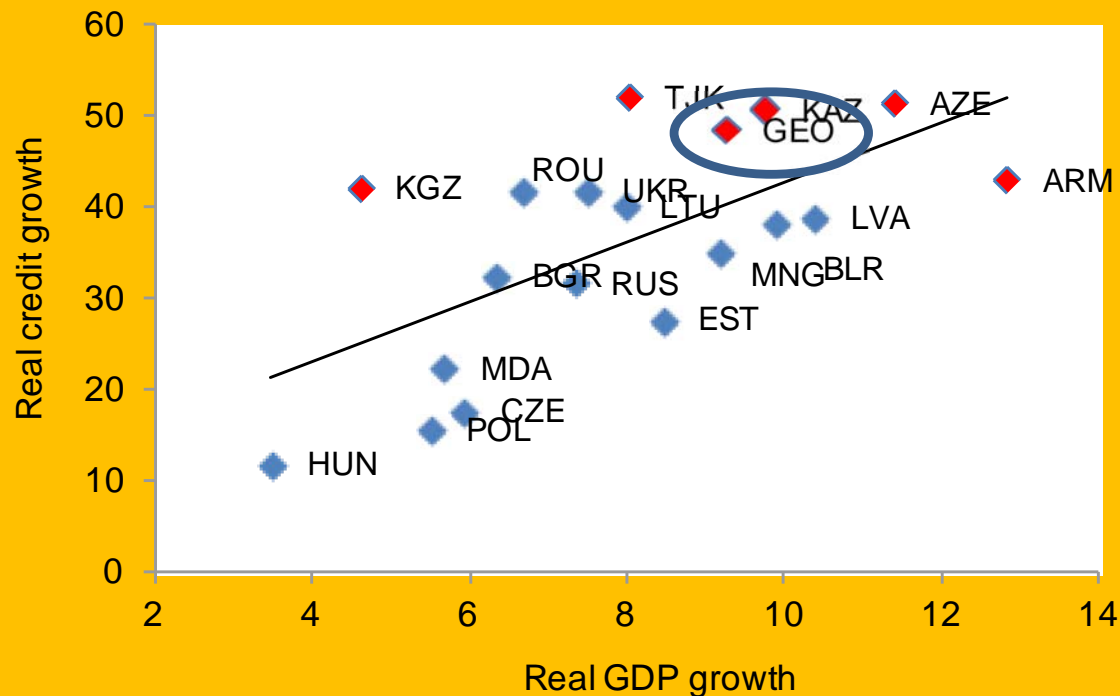
# Four questions:

- ① What is responsible financing?
- ② Relationship between credit growth and GDP growth
- ③ Vulnerabilities associated with fast credit growth
- ④ Is there a trade-off between financial stability and GDP growth?

# Credit growth is associated with output growth...

## Credit growth and GDP growth

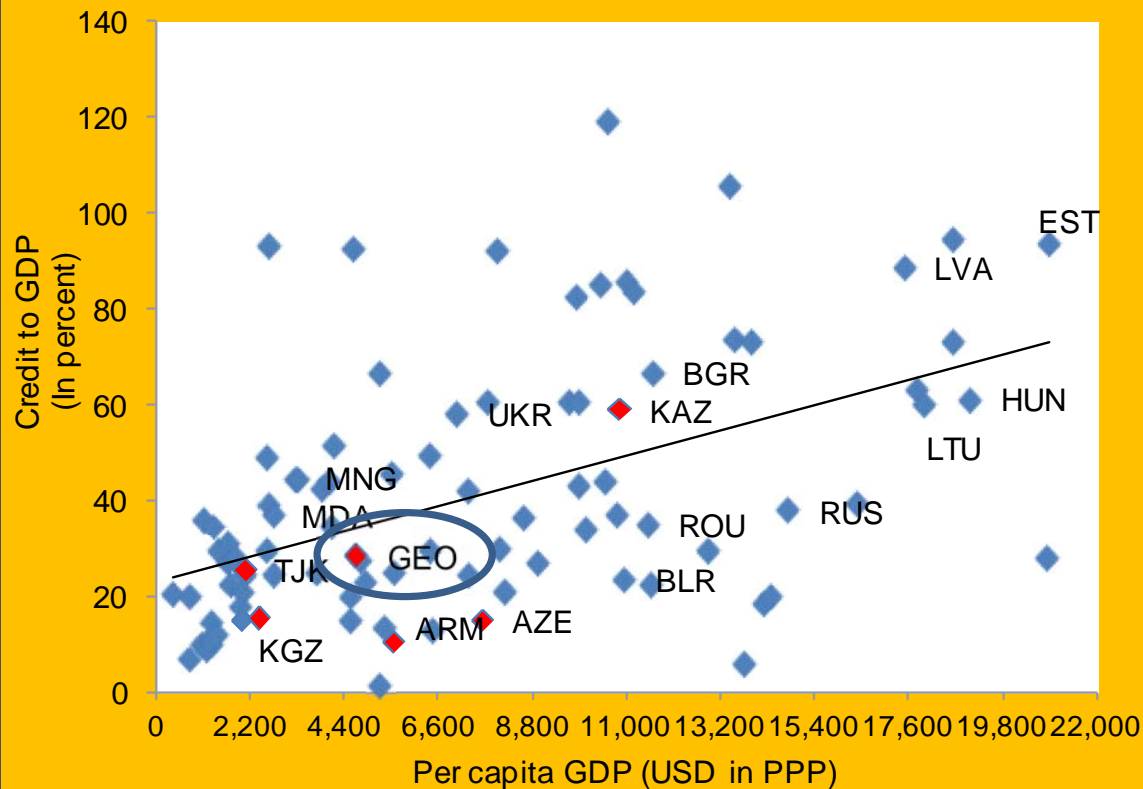
(In percent, average 2004-07)



Sources: MCD REO, IFS, Haver, and Fund staff estimates.

...and financial deepening is associated with higher income.

Private Sector Credit to GDP and Per Capita GDP, 2007



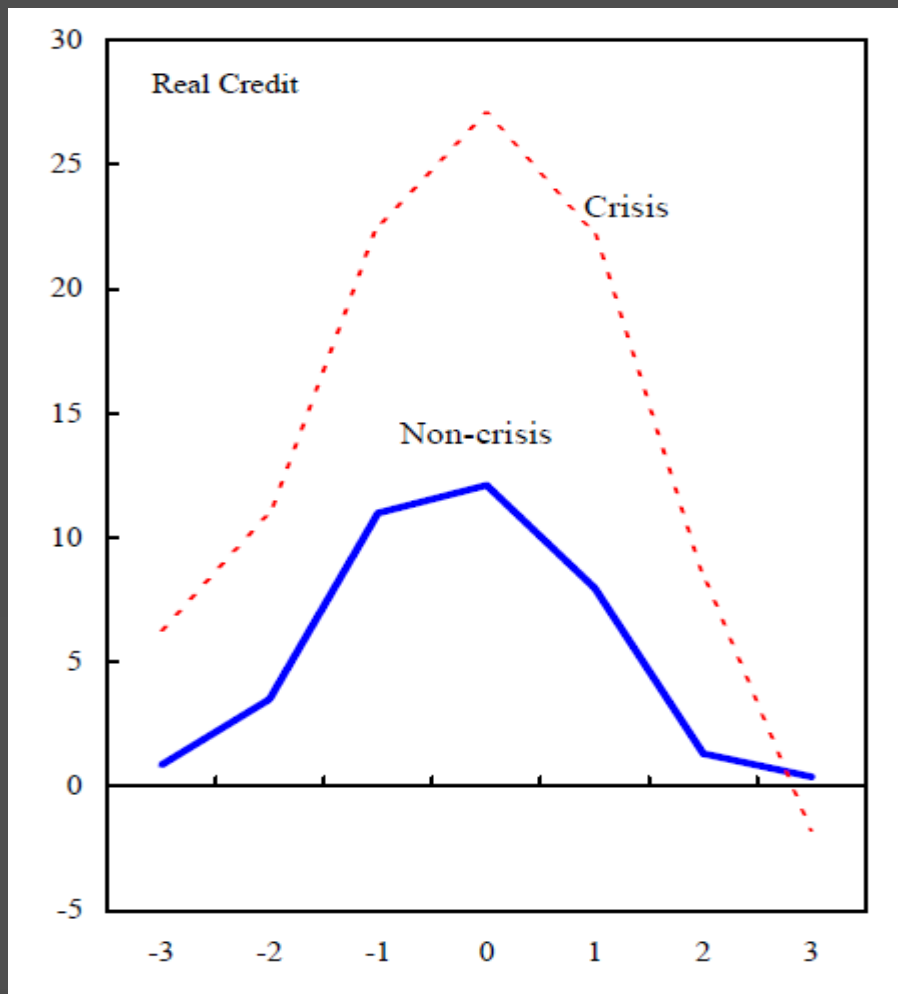
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A larger credit boom is more likely to be associated with crises (banking, currency, or both)...

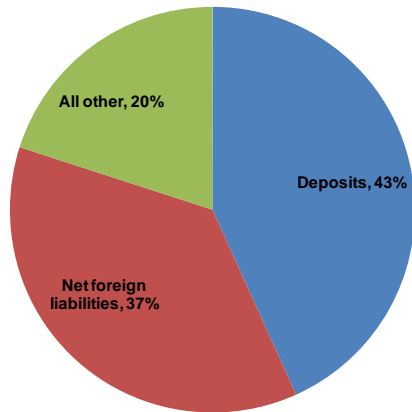


Credit booms in emerging economies are often preceded by large capital inflows, but not by financial reforms or productivity gains

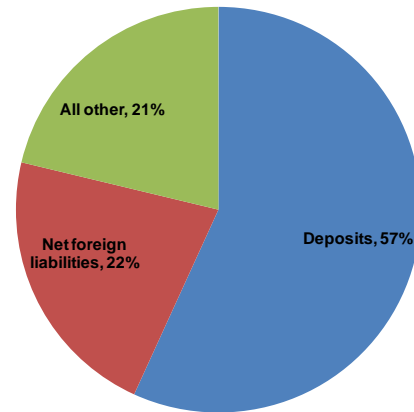
	Industrial Countries	Emerging Market Economies	All
Large Capital Inflows (A) <sup>2/</sup>	0.27	0.50	0.52
Significant Productivity Gains (B) <sup>3/</sup>	0.40	0.17	0.33
Large Financial Sector Changes (C) <sup>4/</sup>	0.33	0.22	0.27
Other	0.27	0.39	0.30

# External borrowing has been a major source of finance for credit during the latest boom

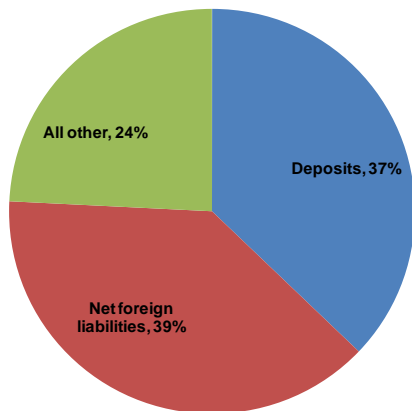
Armenia



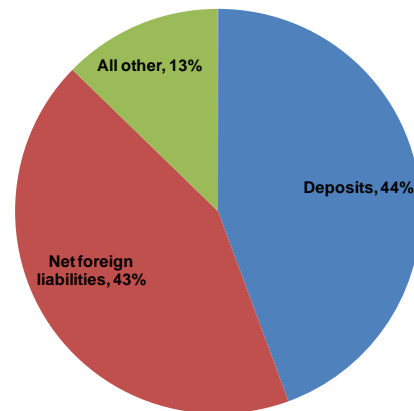
Azerbaijan



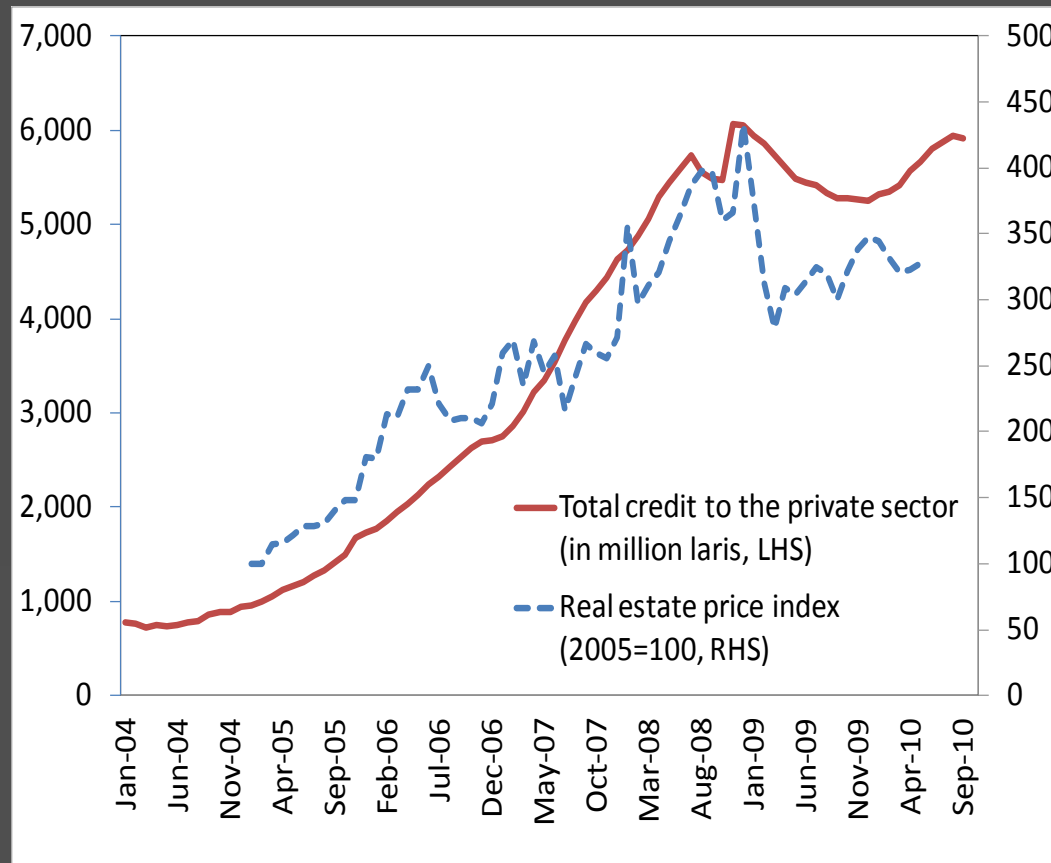
Georgia



Kazakhstan



The credit boom in Georgia was associated with fast growing housing prices...





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...larger currency mismatches are linked to higher growth during tranquil times, but also with more severe crises

