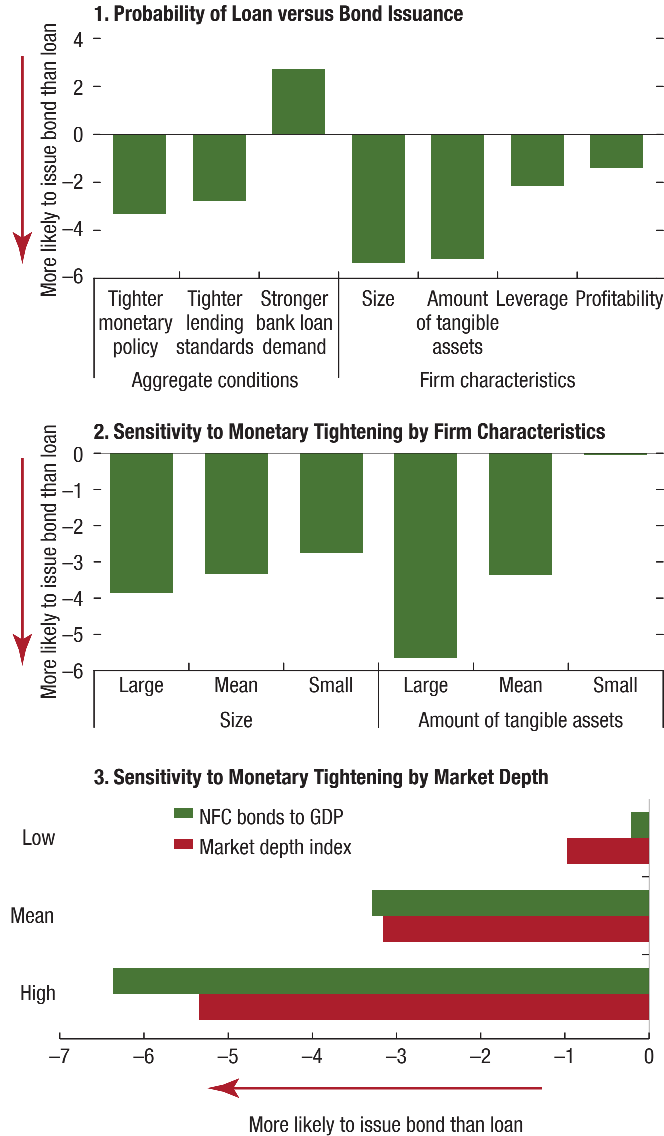
Figure 2.13. Bond Financing and Monetary Policy

(Percentage points)

The effect of monetary policy on the substitution between bank loans and bond issuance is stronger for firms that have more tangible assets and firms from countries with deeper financial markets.



Sources: Bank of England; Bank of Japan; Dealogic; European Central Bank; FactSet; Federal Reserve Board; IMF, World Economic Outlook database; Svirydzenka 2016; Thomson Reuters Datastream; and IMF staff calculations.
Note: Panel 1 shows the estimated response of the probability of a firm taking a loan instead of issuing a bond when each explanatory variable increases by one standard deviation (about 2 percentage points for the monetary policy measure). Panel 2 shows how the sensitivity to a one standard deviation tightening in monetary policy changes by firm characteristics (size and amount of tangible assets). Panel 3 shows how the sensitivity to a 1 percentage point tightening in monetary policy varies with market depth. Panels 1 and 2 are estimated using data for listed nonfinancial firms in Europe, Japan, and the United States during 1993 to 2015. Panel 3 is estimated for 2010 to 2015 using an unbalanced panel of nonfinancial firms in 23 advanced and emerging market economies. For countries using unconventional monetary policies, the monetary policy measure is based on a shadow policy rate. All estimates are significant at least at the 10 percent significance level. NFC = nonfinancial corporation. See Annex 2.3 for details.