

DANMARKS NATIONALBANK

THE FINANCIAL CYCLE IN THE NON-EURO EU MEMBER STATES

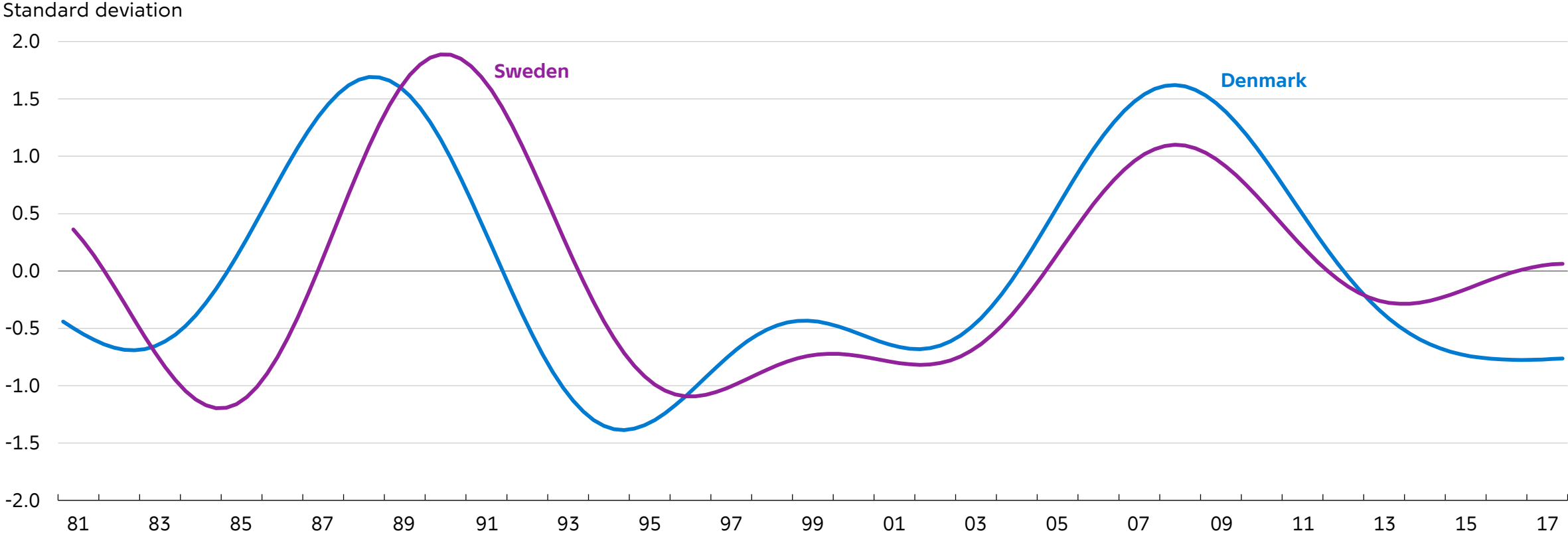
Lars Rohde, Governor of Danmarks Nationalbank, July 8 2019



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Co-movements between financial cycles – The role played by monetary policy?

Financial cycles in Denmark and Sweden

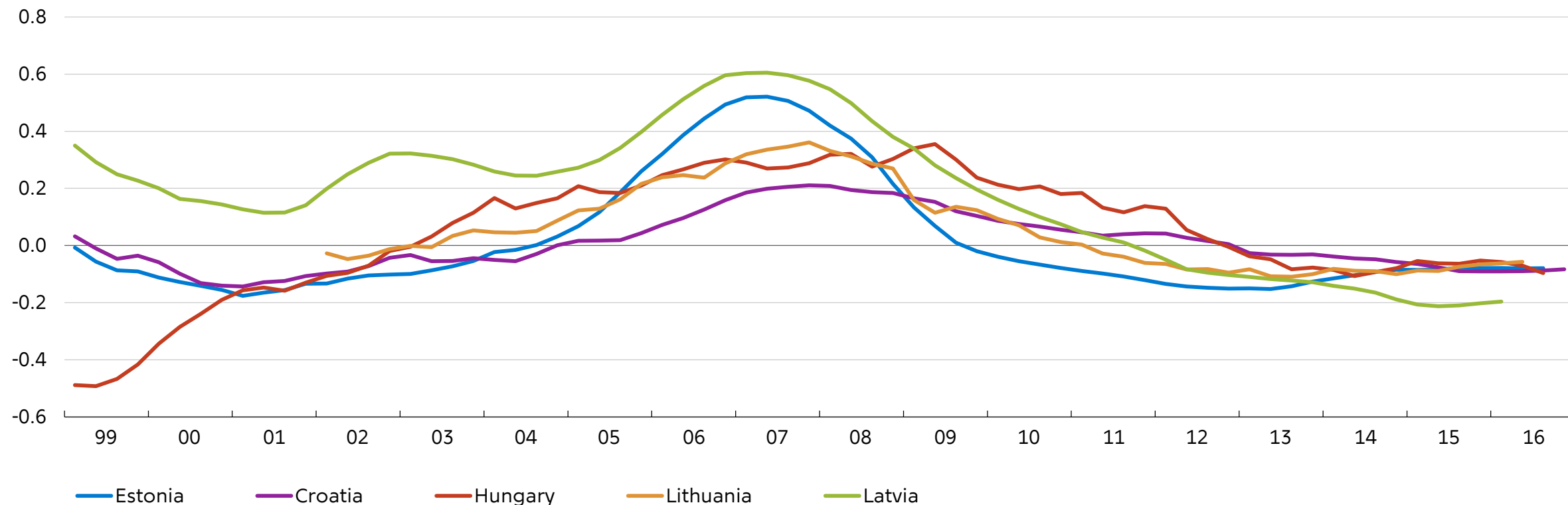


Source: Financial cycles as early warning indicators: Lessons from the Nordic Region, Working Paper No. 80, March 2019, Central Bank of Iceland.

High correlation between financial cycles in Eastern Europe

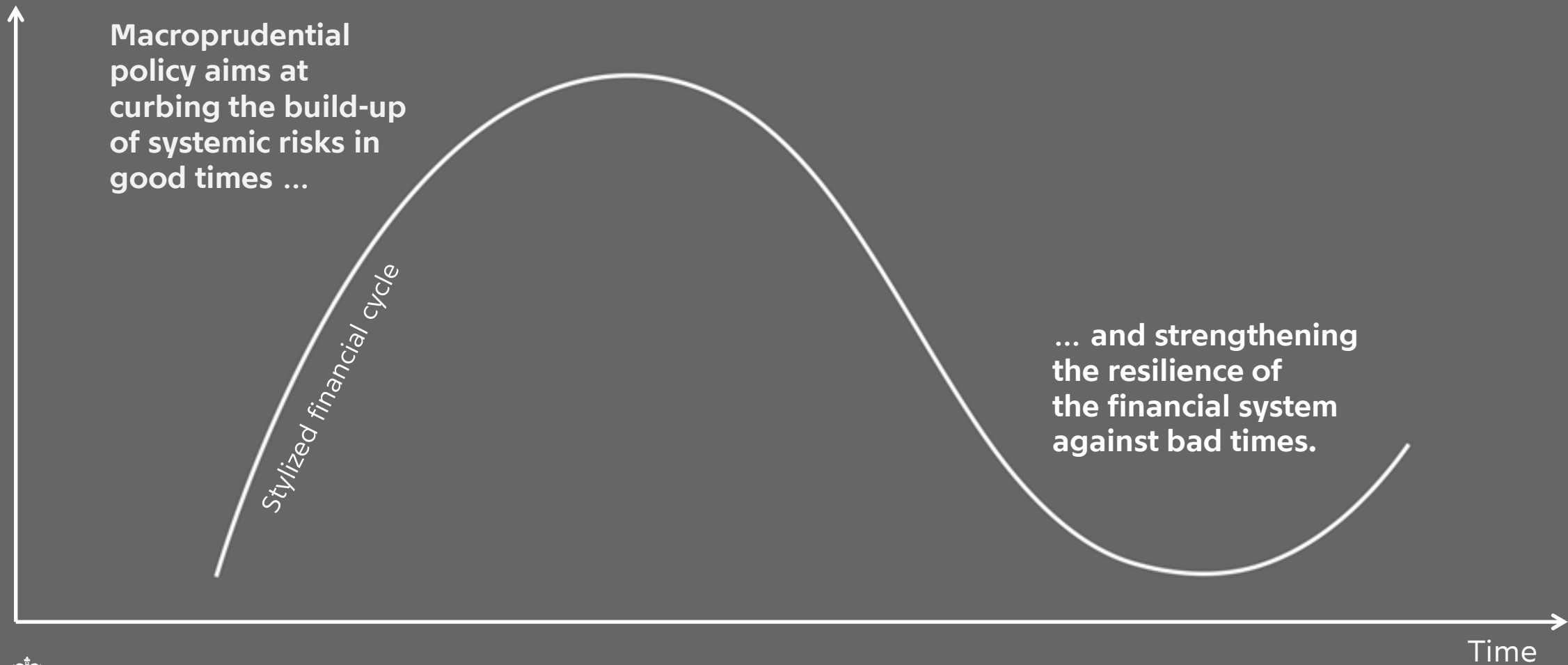
Financial cycles in selected countries

Percentage deviation from trend



Source: Real and financial cycles in EU countries: Stylised facts and modelling implications, *ECB Occasional Paper Series*, January 2018.

Macroprudential policymaking requires an ongoing assessment of the financial cycle

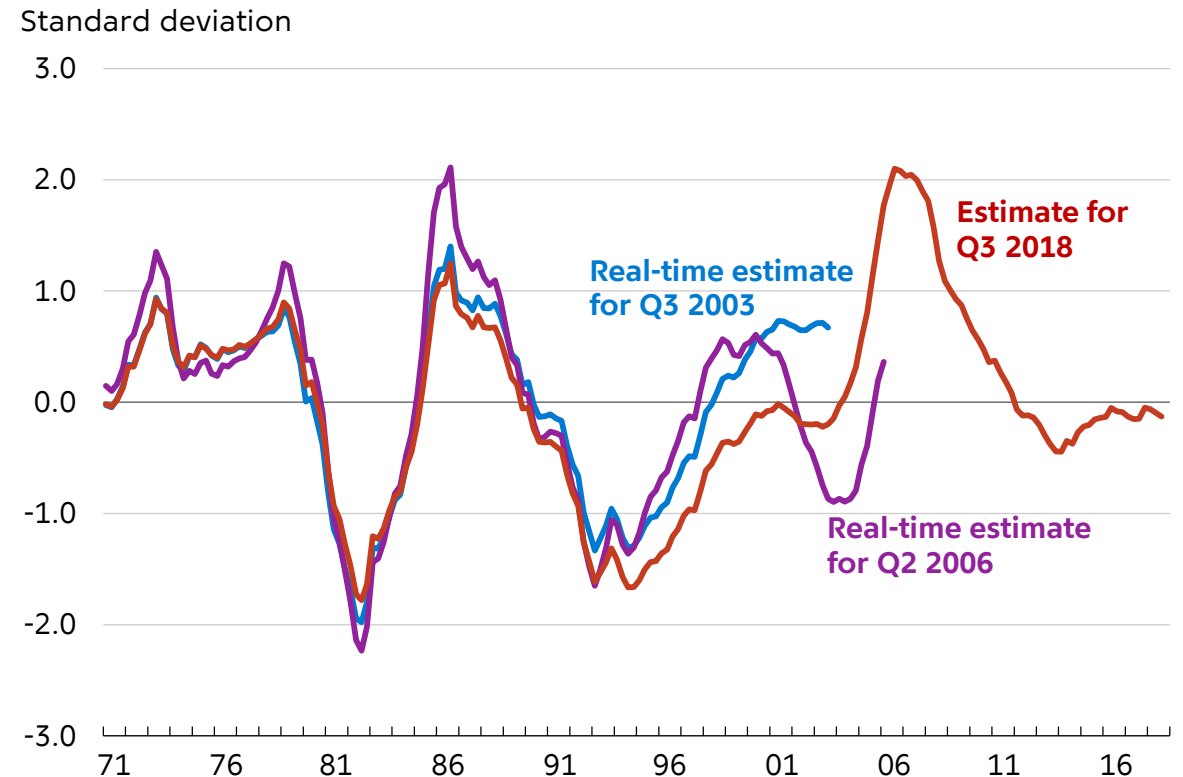


Policymakers face real-time estimates of the financial cycle that are subject to uncertainty

Real-time estimates are subject to different sources of uncertainty:

- Data revisions
- End-of-sample estimation uncertainty
- Weights and method uncertainty

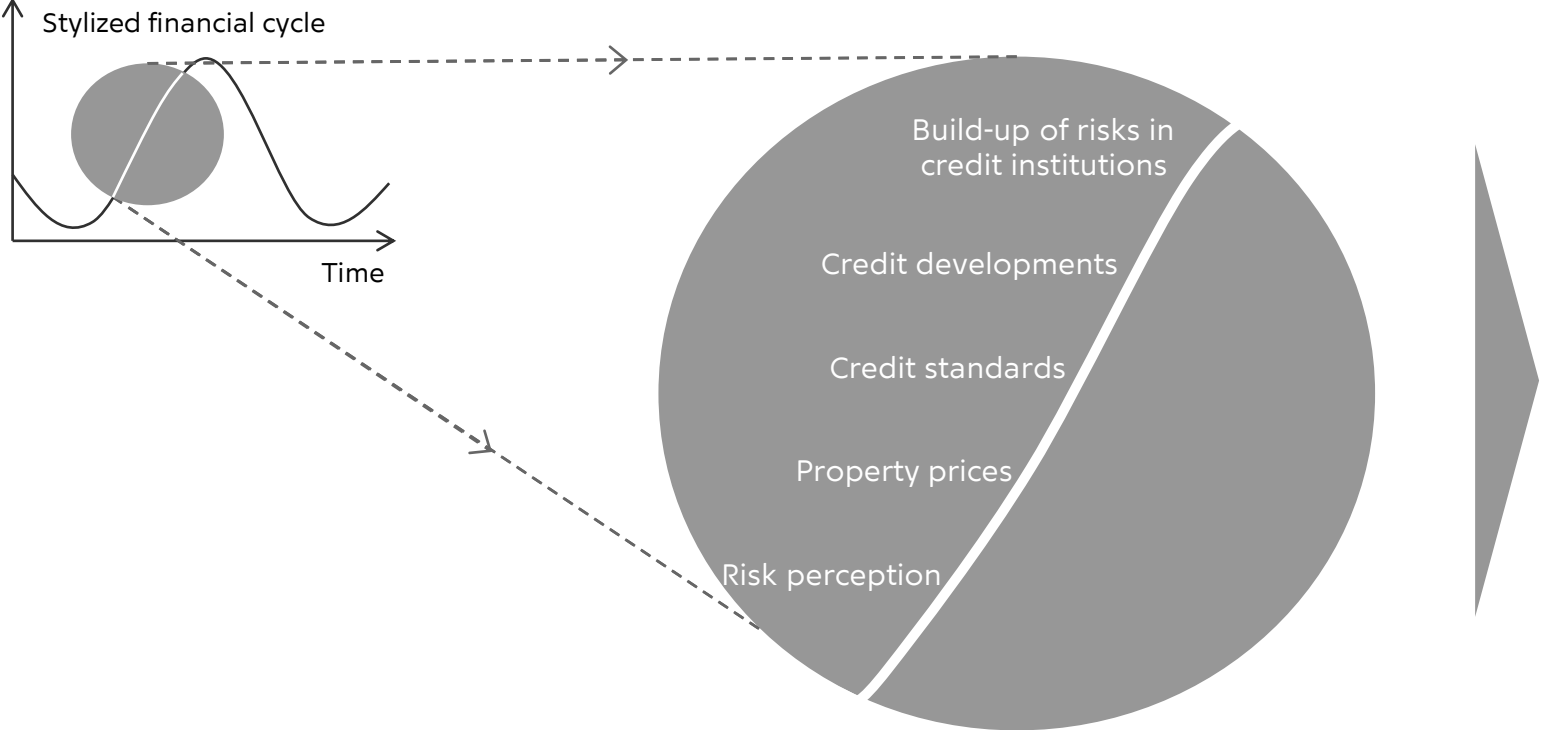
The challenge of end-of-sample estimation uncertainty



Note: Financial cycle estimate using unobserved component model.
Source: Own calculations.

A broader information basis is needed to determine the current position in the financial cycle

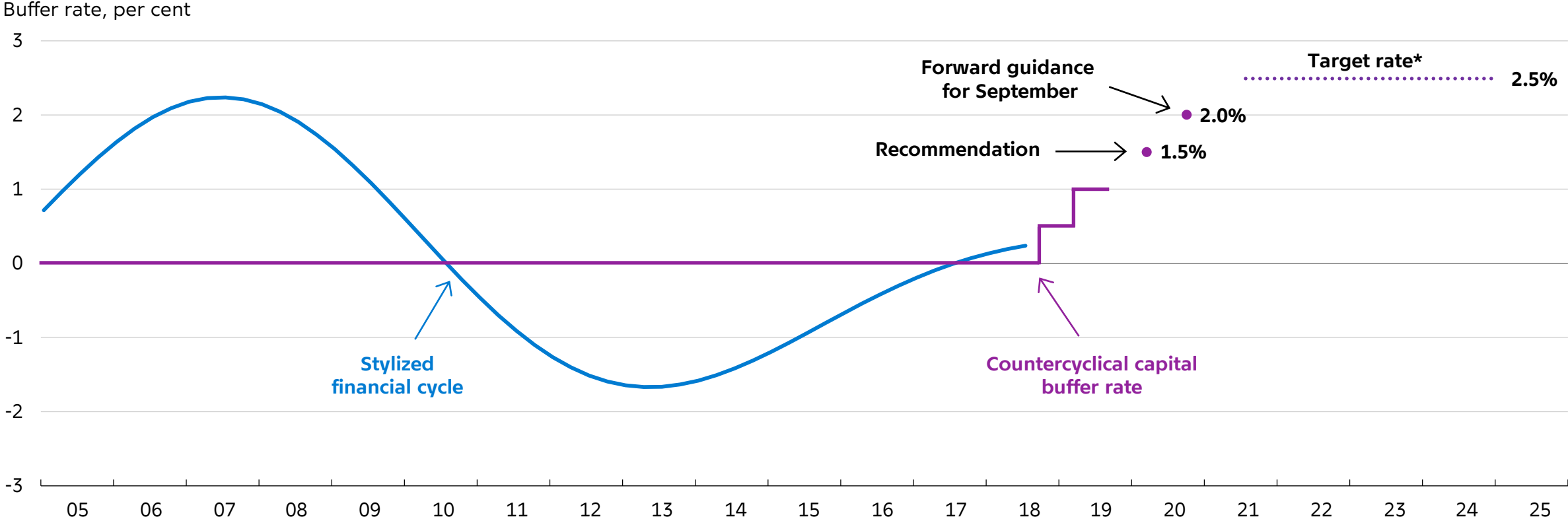
KEY INDICATOR CATEGORIES



Advice on setting the countercyclical capital buffer rate

OTHER INFORMATION

Denmark is currently in the phase of building up the countercyclical capital buffer



*Unless the risk build-up in the financial system slows down considerably.