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# Corporate Debt Structure and Economic Recoveries [1]

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**Abstract**

This paper analyzes the business cycle behavior of the corporate debt structure and its interaction with economic recovery. The debt structure is measured as the share of bonds in the total credit to non-financial corporations for a quarterly panel of countries over the period 1989-2013. We first show that the substitution of loans for bonds in recoveries is a regular property of business cycles. Secondly, we provide evidence that economies with high bond share and important bond-loan substitution recover from the recessions faster. This identified link between corporate debt structure and business cycles is robust to the inclusion of traditional factors which shape recessions and recovery such as the size and the quality of financial markets, the occurrence of bank crisis, the dynamics of credit, and the distribution of firm size.

**Keywords**: Corporate Debt; Bonds Markets; Banking; Business Cycles; Recovery; Financial Frictions

**JEL classification**: E3; E4; G1; G2.



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