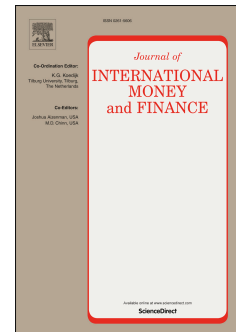


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Global Transmission Channels for International Bank Lending in the 2007–09 Financial Crisis[☆]

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Abstract

During a financial crisis, credit provision by international banks may be affected by three global channels: changes in willingness to lend from increased economic uncertainty, in funding availability from interbank liquidity markets, and in solvency from weakened balance sheets. In this paper, we examine the extent to which each channel affected bank lending in developing countries during the global financial crisis of 2007–09. We find evidence that the liquidity and uncertainty channels were important, although lending sensitivity to these channels remained unchanged during the crisis. We also find heterogeneity in the lending behavior of European versus U.S. banks.

KEYWORDS: International bank lending, global transmission channels, financial crisis

JEL CLASSIFICATION: G21, G01, F34

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