Discussion of
Does credit supply lead loan demand? An empirical investigation

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What I took away from the paper

- Explore the mutual interaction of demand and supply signals from credit institutions
  - A loosening of supply standards may induce firms to demand more credit…
  - …amplifying the effects of a credit boom

- Nods at the signalling channel of monetary (and macroprudential) policy

- Has important and far-fetched policy implications
  - Feedback effects need to be properly measured to calibrate monetary policy
  - They are likely different across countries
    - Depending on the prevalence of bank credit and the structure of the firms
  - This (further) complicates policy-making in a monetary union

Some suggestions for additional work

Exploring potential asymmetries

- The baseline regression treats symmetrically changes in CDI and CS
  - The text focuses mainly on a loosening of standards…
  - …but I suspect the effects of a tightening may be even larger
- This can easily be tested using an asymmetric specification
  - But how would that square with the identifying assumption of the instrument?
    - Through a GFC-like tightening of credit supply would "balance sheet constraints" not affect firms' risk perceptions over the economic outlook?
    - That could possibly be dealt with using firm-level data…

Bank level vs firm level

- Matching with firm-level data from Anacredit could provide quite some additional insights
  - Explore the heterogeneity across firms (e.g. sector, size, …)
  - Explore the role of multiple banking relationships: do stronger balance sheets encourage demand?
    - Similar to Altavilla et al (JMCB 2021)

- Would a further matching with SIGE participants be possible?
  - That would enable to relate credit supply and demand to firms' decision-making on pricing and hiring…
  - …underscoring the real effects of the credit channel

Signalling and the role of monetary policy

- Public information about credit supply can influence credit demand
  - How central banks should balance transparency with the risk of telegraphing unwanted messages destabilising credit markets?
  - How does signalling of credit conditions affect firms' expectations?
    - Rely on SIGE, perhaps introducing information provision on the BLS?

- How does the interaction with monetary policy work?
  - Aggregate effect of monetary policy on credit supply and demand (Ciccarelli et al 2015)
  - Measuring effects of monetary shocks on individual replies of BLS respondents?
    - Are supply/demand interactions dampened by a monetary stance leaning against?

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Thank you!