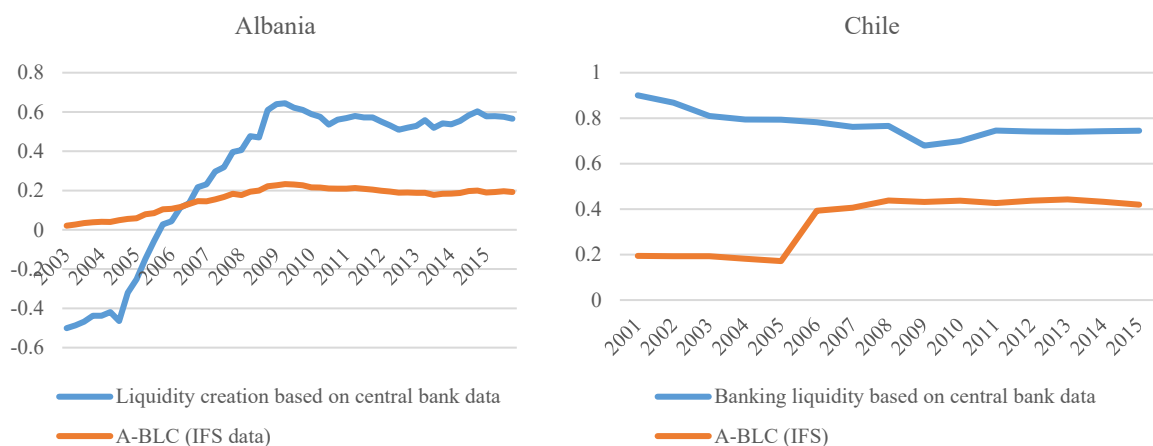


Supplementary Information 1

Benchmarking IFS data with national data sources is not always possible. As highlighted by Jerven (2016), some DECJs adopt the IMF reporting standards for their domestic data collections; some other jurisdictions, however, use the IMF definitions and reporting standards only for reporting to the IMF while keeping a different official reporting domestically. That is, from a practical viewpoint, balance sheet banking data from national sources does not allow for cross-country comparison due to the lack of harmonization. For example in the left-hand panel of Figure S1, we plot banking sector liquidity creation computed using national banks' published banking data for Albania and Chile and benchmark it with our A-BLC measure. The large gap observed in Albania is due to the sample used by the national statistical agency including not only depository institutions but also the central bank and other financial institutions. The negative liquidity creation observed before 2005 is mainly due to the large holding of government bonds by these institutions. In the case of Chile, instead, the central bank collects segmented balance sheet data on depository institutions only¹. However, the degree of segmentation is rather limited, as a number of balance sheet items such as central bank claims and securities liabilities are not available. Since these latter variables, which have a negative weight in the metric, cannot be included, constructing a bank liquidity creation measure using available balance sheet data, as done in the right-hand panel of Figure S1, yields to an overestimation of our variable of interest.

Figure S1: Comparing IFS with central bank data

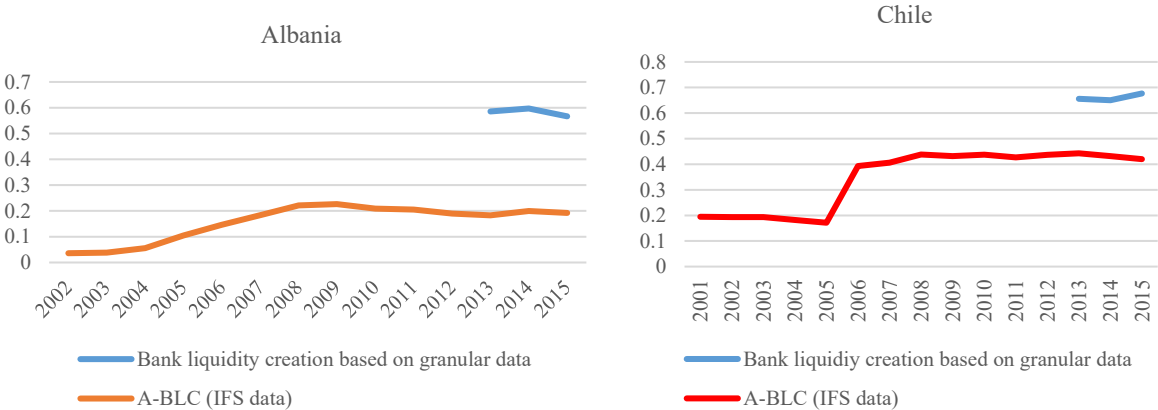


Sources: Authors' calculations based on data available from Central Bank of Albania and Central Bank of Chile.
Notes: Variables are as a ratio to total assets.

¹ The large spike in the A-BLC measure (IFS data) observed in 2005 for Chile is mainly driven by a jump in deposits due to a substantial rise of the deposits rates at commercial banks, following restrictive monetary policy measures by the central bank.

The IFS data is collected according to the residency principle. That is, subsidiaries and branches of global banks are treated as separate operating units and their activities are recorded in the jurisdiction of residency. Aggregating granular bank balance sheet data of commercial providers yields inexact estimates of the liquidity creation by resident banks as only unconsolidated subsidiaries data is available, i.e. data on resident branches of foreign banks are missing. To this extent, we have collected micro banking data for Albania with the aim to compare our A-BLC measure with an equivalent measure of liquidity creation starting from available balance sheet data of Albanian banks. Using a commercial data provider (Bloomberg), we have encountered a number of problems. First, balance sheet data for the 17 depository institutions available on the platform was available consistently only from 2013 onwards (at an annual frequency). Second, the available variables do not allow us to construct a comprehensive measure of bank liquidity creation as items such as financial derivatives and securities (liabilities) are missing. The left-hand panel of Figure S2 shows that the two measures move together for the three years for which comparability was possible (2013-15). However, the lack of micro-level balance sheet variables leads to an overestimation of the liquidity creation of Albanian banks mainly because the measure is driven by claims and deposits vis-à-vis the private sector (positive 0,5 weight) and does not account for many items that enter the bank liquidity creation measure with a negative weight.

Figure S2: Comparing IFS with granular data



Sources: Authors’ calculations based on data available from Bloomberg.
 Notes: Variables are as a ratio to total assets.

We also collected granular data for 41 Chilean banks of which 31 are domestic and 10 are foreign subsidiaries. We found that data availability is very heterogeneous across banks, with very little data reported before 2013, leaving us again with just three years of comparable data. A closer look at the data also reveals that a number of balance sheet variables have a very

limited coverage, such as securities and stock (liabilities) as well as short term borrowings, which are available for only one bank over the whole sample. In reconstructing liquidity creation for Chile, then, the latter variables cannot be accounted for, leading to a considerable gap between the metric using granular data and the A-BLC.