



Towards a Framework for Quantifying Systemic Stability

By Per Åsbe Sommar

BiblioGov. Paperback. Book Condition: New. This item is printed on demand. Paperback. 32 pages. Dimensions: 9.7in. x 7.4in. x 0.1in. We use a vector error-correction model to study interdependencies between the aggregate expected default frequency (EDF) and the macroeconomic development. The model is used to forecast the median EDF. Evaluations of the model show that it yields low forecast errors and that the interest rate has the strongest impact on expected default frequency. Forecasts indicate that a lower short-term interest rate reduces the EDF and, in turn, risk premiums. This reduces the marginal cost for corporate investments and household consumption and stimulates growth through these two components of aggregate demand. At the same time, it imposes a downward pressure on the product prices of firms and thereby on inflation. This item ships from La Vergne, TN. Paperback.



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