



# Comments on 'Using a Threshold Approach to Flag Vulnerabilities in CESEE Economies'

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# What does the paper do?

- Use a panel of 93 middle-income/EM countries to estimate vulnerability indicators using so-called threshold approach, and combine indicators into a single composite indicator
- Apply the obtained vulnerability indicator to assess situation in 19 CESEE countries in 2007 and 2012

# General comments

- Policy relevance is clear
- But are these measures wide enough, i.e. are they capturing all the relevant crisis?
- For example, of the countries flagged in 2007 only 50% experienced crisis as defined in the paper, but for example Estonia experienced a drastic fall in GDP
- Introduce 'growth crisis' as an additional event? (More observations as well..)
- Show the evolution of the indicator for different countries

# Additional comments

- Which 91 countries used? How similar are they? Would adding (some) high-income countries change the results? Many CESEE countries not that different
- Small comments on indicators:
  1. Credit growth vs. credit level; credit level positively correlated with per capita GDP
  2. External sector; volatility of terms-of-trade
  3. External sector; gross debt vs. net international investment position

# Per capita GDP in 2007

