

## Credit and business cycles' relationship: evidence from Spain

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**Abstract** This study provides evidence on the interaction between business and credit cycles in Spain during the period 1970–2014. The paper works on three analyses: the cycle turning points are identified; the main features of credit and business cycles are documented; and in both cycles the causal relationship is assessed. We find differences in the features of the business and credit cycle phases, which lead to a scant degree of synchronization over time. The lack of synchronization might be a sign that the cyclic interaction could be non-contemporaneous. Our results reveal that there is causation. A significant lagged relationship between business and credit cycles is found; specifically, fluctuations of the business cycle lead fluctuations of the credit to non-financial corporations and a lag exists with respect to the fluctuations of the credit to households. We also examine episodes of credit boom and credit crunch. In the period 1970–

2014, Spanish credit booms did not involve deeper business cycle contractions and credit crunches were not associated with deeper and longer business cycle contractions. These differences are related with the great importance of the real estate sector in Spain.

**Keyword** Credit cycle · Business cycle · Credit · Expansion · Contraction · Synchronization · Granger-causality

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