

Falko Fecht (Frankfurt School of Finance)

Stefan Thum (Deutsche Bundesbank)

Patrick Weber (Deutsche Bundesbank)

Capturing depositors' expectations with Google data

Topic

Keywords: Depositor expectations, Google, Deposit insurance, Competition for depositors, Bank runs, Interest rate sensitivity of non-financial agents

Introduction

Financial institutions performing liquidity transformation are exposed to bank runs, whereby depositors simply withdraw their short-term deposits because of fears that others withdraw too. This paper proposes a novel empirical indicator that proxies the degree of fear of retail depositors by using internet searches from Google. We can show that such a fear indicator can predict a shift of deposits from private banks to the state-backed Savings Banks at the onset of the financial crisis in 2007.

Moreover, we can show that a planned guarantee provided by the German government that retail deposits are safe, shortly after the collapse of Lehman Brothers, led to an increased interest rate sensitivity of households as well as non-financial corporations.