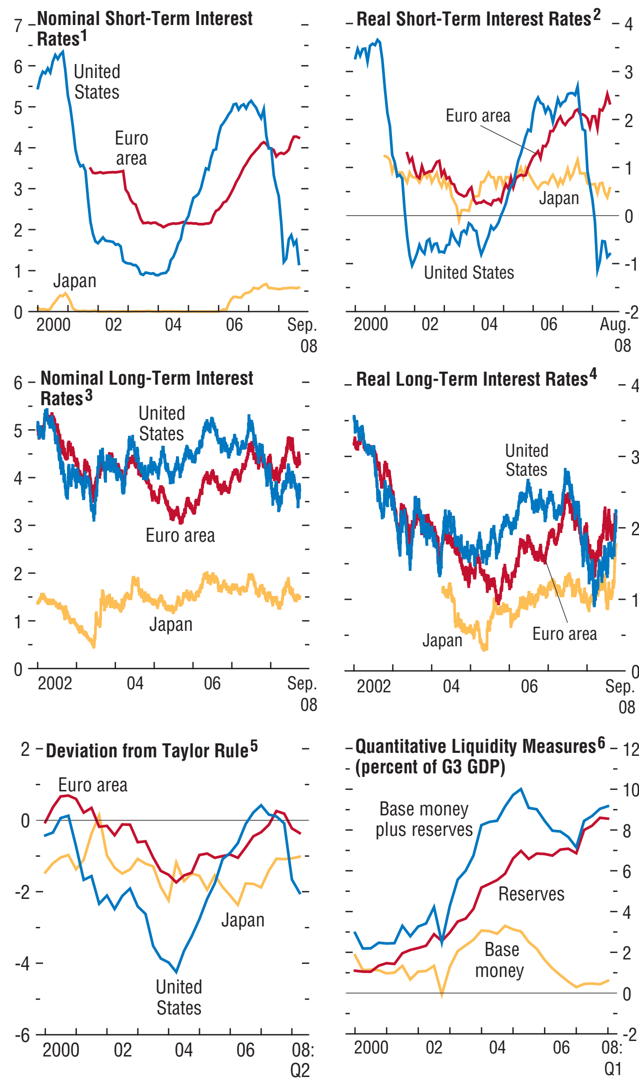
Figure 1.9. Measures of Monetary Policy and Liquidity in Selected Advanced Economies

(Interest rates in percent unless otherwise noted)

Following a period of easy monetary conditions during 2001–05, monetary policy was tightened across the advanced economies. Since the onset of financial stress in August 2007, the Federal Reserve has eased its policy stance aggressively. By contrast, monetary policy settings in the euro area and Japan have been kept broadly unchanged.



Sources: Bloomberg Financial Markets; Eurostat; Haver Analytics; Merrill Lynch; OECD *Economic Outlook;* and IMF staff calculations.

[1]Three-month treasury bills.

[2]Relative to core inflation.

[3]Ten-year government bonds.

[4]Ten-year inflation-linked government bonds.

[5]The Taylor rate depends on (1) the neutral real rate of interest, which in turn is a function of potential output growth, (2) the deviation of expected consumer price inflation from the inflation target, and (3) the output gap. Expected inflation is derived from breakeven rates of inflation-indexed bonds.

[6]Change over three years for euro area, Japan, and United States (G3), denominated in U.S. dollars.