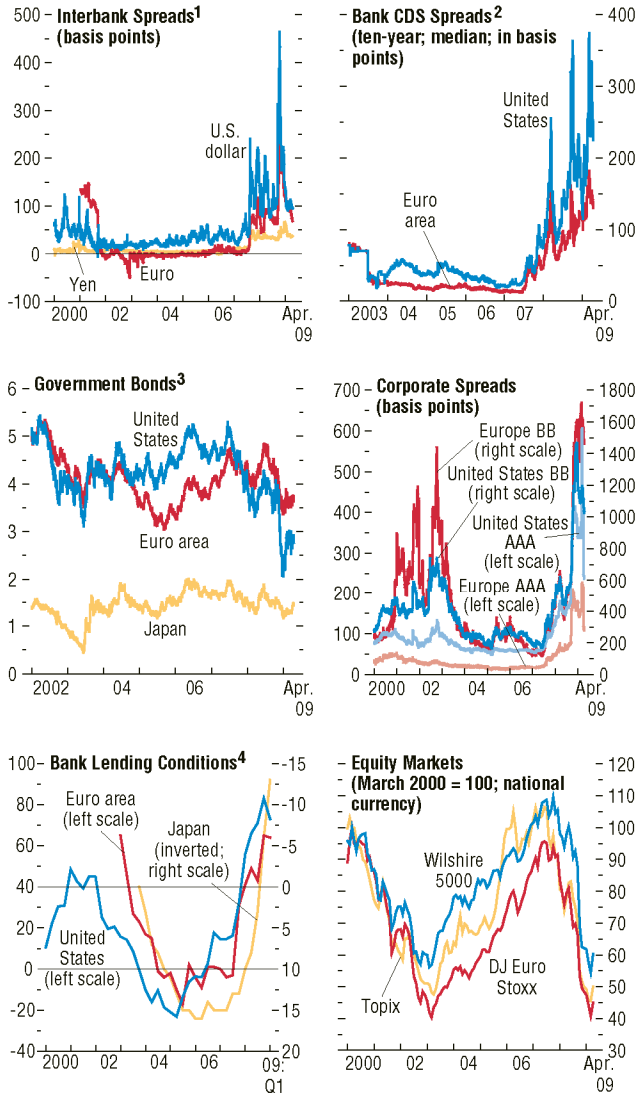


Figure 1.2. Developments in Mature Credit Markets

Conditions in mature credit markets deteriorated sharply after September 2008, and strains remain intense despite policy efforts and some improvements in market sentiment following the G20 meeting in early April. While interbank spreads have been lowered, bank CDS spreads and corporate spreads have remained wide, and equity prices are close to multiyear lows, as adverse linkages between the financial sector and the real economy have intensified.



Sources: Bank of Japan; Bloomberg Financial Markets; Federal Reserve Board of Governors; European Central Bank; Merrill Lynch; and IMF staff calculations.

¹Three-month London interbank offered rate minus three-month government bill rate.

²CDS = credit default swap.

³Ten-year government bonds.

⁴Percent of respondents describing lending standards as tightening "considerably" or "somewhat" minus those indicating standards as easing "considerably" or "somewhat" over the previous three months. Survey of changes to credit standards for loans or lines of credit to enterprises for the euro area; average of surveys on changes in credit standards for commercial/industrial and commercial real estate lending for the United States; Diffusion index of "accommodative" minus "severe," Tankan lending attitude of financial institutions survey for Japan.