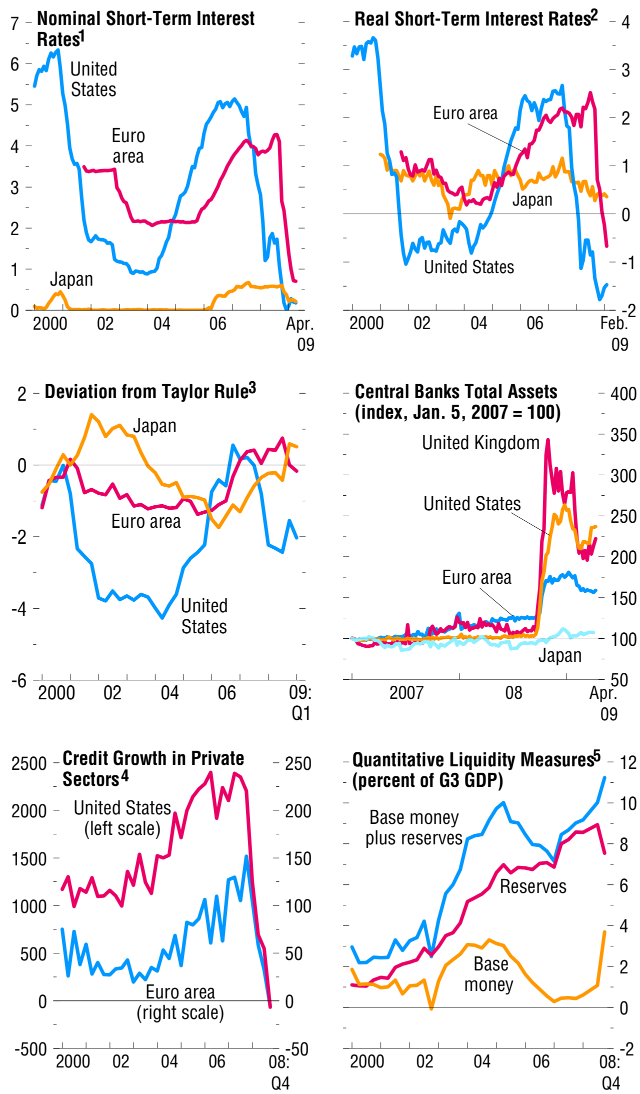
Figure 1.7. Measures of Monetary Policy and Liquidity in Selected Advanced Economies

(Interest rates in percent unless otherwise noted)

Policy rates in the major advanced economies have been lowered rapidly as inflation pressures have subsided and economic prospects have deteriorated. With policy rates approaching the zero floor, central banks have increasingly taken steps to support credit creation more directly, leading to the rapid expansion of their balance sheets. Despite these efforts, credit growth to the private sector has slowed sharply.



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]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 one-year-ahead consensus forecasts.

[4]Quarter-over-quarter changes; in billions of local currency.

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