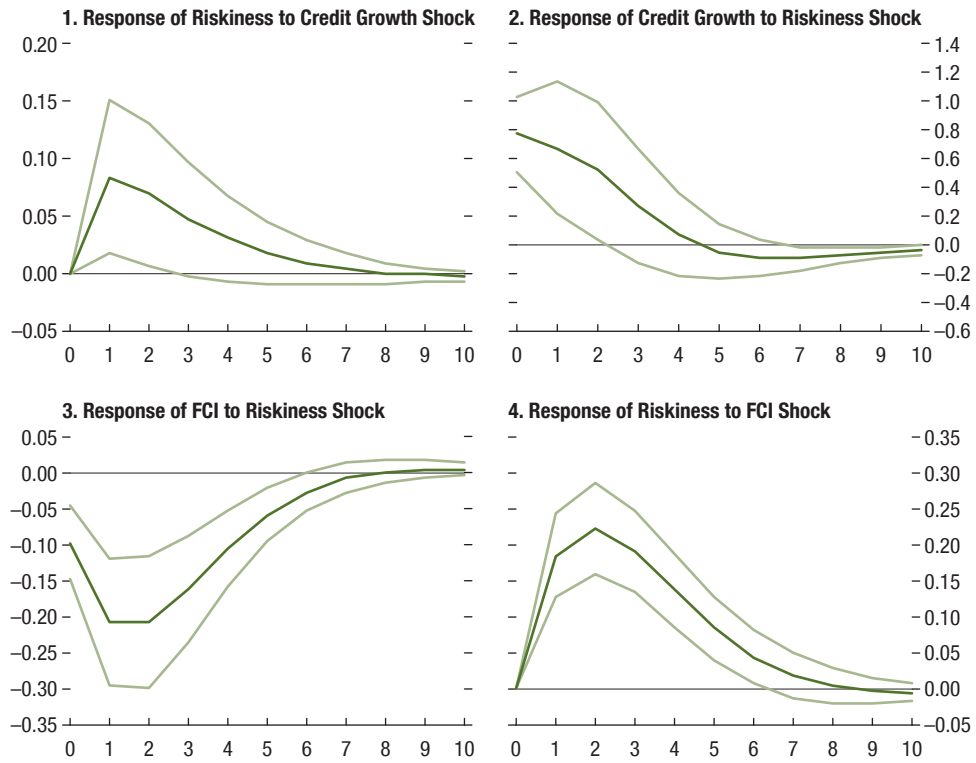


**Figure 2.3.1. The Riskiness of Credit Allocation and Financial Conditions**



Source: IMF staff.

Note: The figure shows the responses of a given variable to an orthogonal shock to another variable. The responses are estimated using a panel vector autoregression (VAR) of the financial conditions index (FCI), GDP growth, credit growth, and the leverage-based measure of riskiness of credit allocation, using yearly data (1991–2016) for 41 countries. The VAR includes country fixed effects and one lag. The responses of the FCI (panel 3) and the riskiness of credit allocation (panels 1 and 4) are in standard deviations. The responses of credit growth (panel 2) are in percent of GDP. A rise in the FCI means a loosening of financial conditions. The x-axis in all panels is years after the shock. The dark-green lines are the average response, and the light-green lines are confidence bands at the 90 percent level.