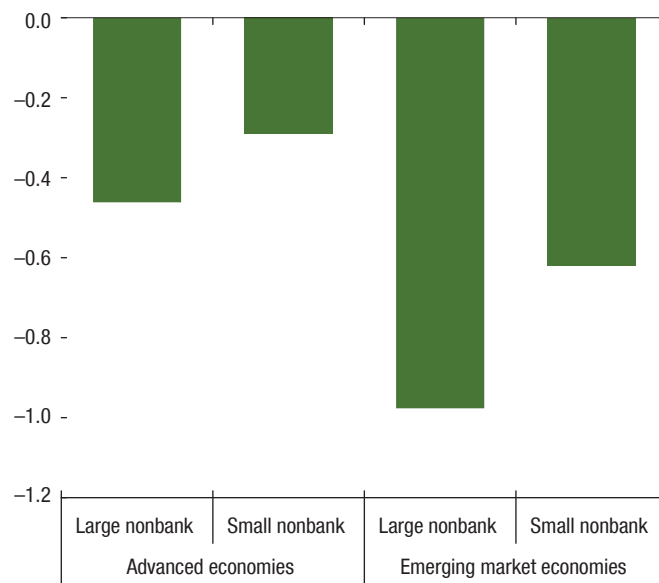


Figure 2.6. Transmission of Monetary Policy and Size of Nonbank Financial Sector
(Percent)

The transmission of monetary policy is slightly stronger in economies with large nonbank financial sectors.



Sources: IMF, International Financial Statistics database; Organisation for Economic Co-operation and Development; World Bank; and IMF staff estimates. Note: The figure shows the estimated peak response of GDP to a 1 percentage point increase in the nominal interest rate. The responses are estimated using a vector autoregression of log real GDP, log GDP deflator, the log of the nominal effective exchange rate, and the monetary policy interest rate (shadow policy rate for countries using unconventional monetary policy). The responses are identified using a Cholesky decomposition in which the interest rate is ordered last. See Annex 2.1.