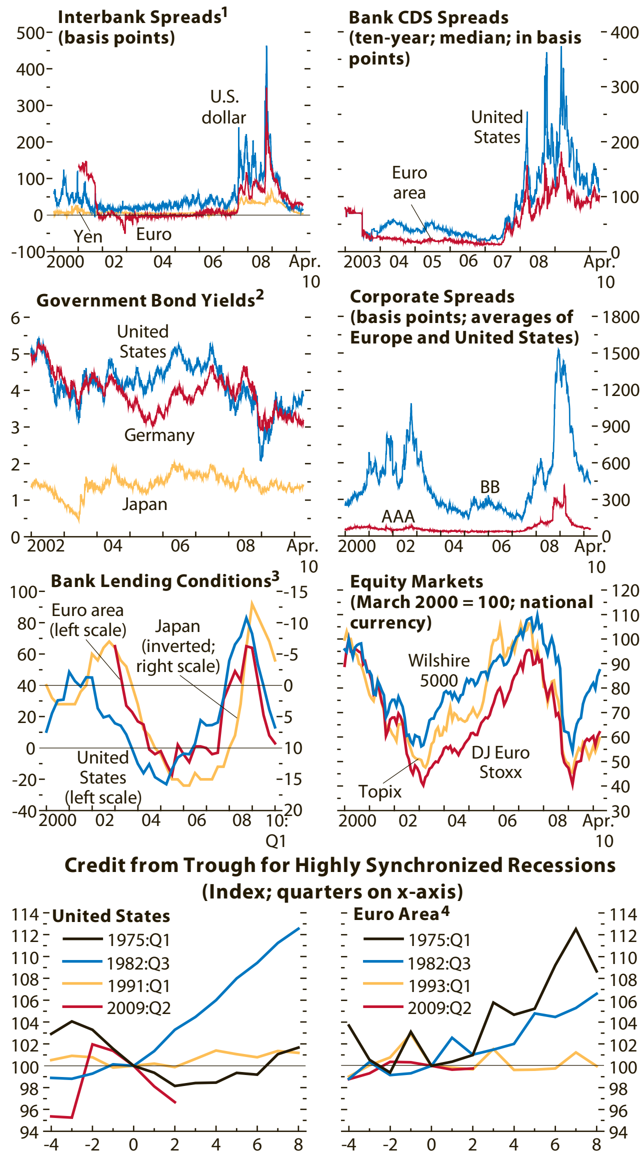
Figure 1.3. Developments in Mature Credit Markets

Financial conditions in advanced economies have improved noticeably, as evidenced by declining interbank, credit default swap (CDS), and corporate spreads and recoveries in equity markets. The tightening of bank lending conditions is coming to an end, suggesting a nascent turn in the credit cycle. The decline in bank credit has been large relative to most recessions.



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

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

[2] Ten-year government bonds.

[3] Percent 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 survey of lending attitude of financial institutions for Japan.

[4] Euro area consist of France, Germany, and Italy.