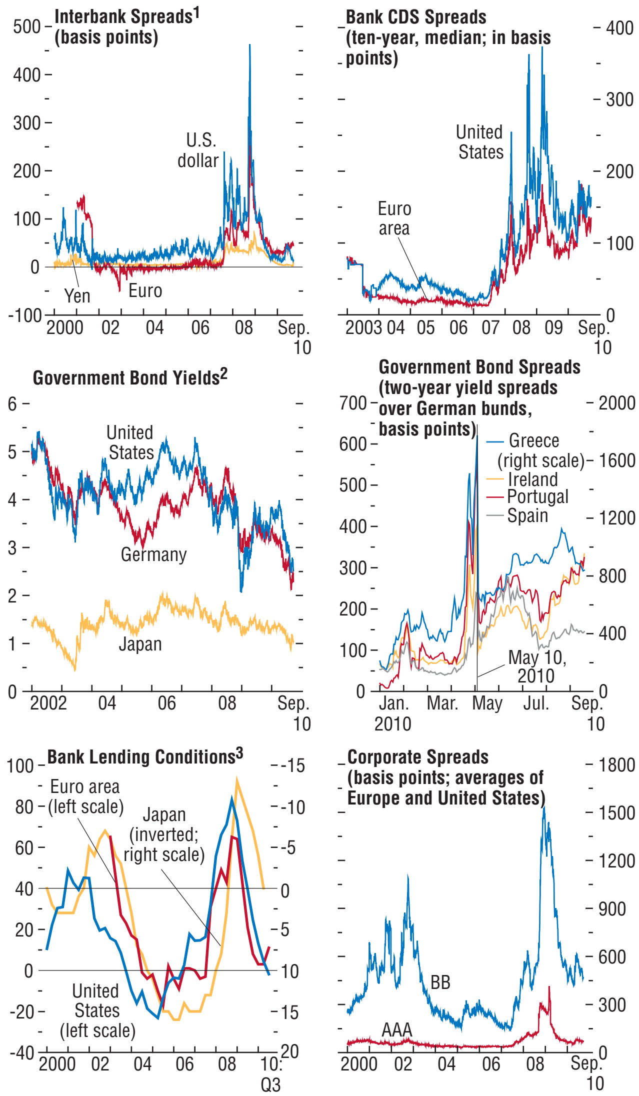
## Figure 1.4. Developments in Mature Credit Markets

Funding strains in advanced economy banking markets reappeared, but tensions remained much lower than one year earlier. Bond yields for Germany, Japan, and the United States declined amid investor flight to safe havens and rising concerns about the sustainability of the recovery. However, yields in vulnerable euro area countries rose because of concerns about high public and external deficits and debt. Notwithstanding the turbulence, bank lending conditions in major economies continued to normalize. Corporate spreads widened somewhat, and issuance briefly dried up.




Sources: Bank of America/Merrill Lynch; Bank of Japan; Bloomberg Financial Markets; European Central Bank; Federal Reserve Board of Governors; 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.