The impact of deleveraging on growth absent any significant rise in global risk aversion is very moderate, except in the euro area countries under market pressure and in the group of other economies (which includes CIS, emerging Europe, MENA, and SSA). Some of this deleveraging was already planned and ongoing before the fall of 2011. These are upper-bound estimates. Indeed, the model does not account for the fact that other sources of funding, including domestic banks in some non-euro-area countries, are providing some offset; it does not distinguish credit supply from credit demand; and advanced economies could engage in further unconventional monetary easing if growth weakens.

Source: IMF staff estimates.

1Based on the GFSR baseline scenario of European bank deleveraging.

2The projected fall in bank lending supply is from the 58 EU banks in the GFSR bank deleveraging exercise (baseline scenario). For the euro area, and for four of the economies included in the other advanced group (Czech Republic, Denmark, Sweden, United Kingdom), it also includes the projected fall in bank lending supply from other domestic banks in the economy. CIS: Commonwealth of Independent States; Countries under market pressure: Greece, Ireland, Italy, Portugal, Spain; Dev. Asia: developing Asia; Em. Eur.: emerging Europe; LAC: Latin America and the Caribbean; Other advanced (Oth. adv.): Australia, Canada, Czech Republic, Denmark, Hong Kong SAR, Iceland, Israel, Korea, New Zealand, Norway, Singapore, Sweden, Switzerland, Taiwan Province of China, United Kingdom; Other developing (Oth. dev.): Middle East and North Africa and sub-Saharan Africa; Other euro area: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Luxembourg, Malta, Netherlands, Slovak Republic, Slovenia.

3Emerging Asia: developing Asia and Hong Kong SAR, Korea, Singapore, and Taiwan Province of China.