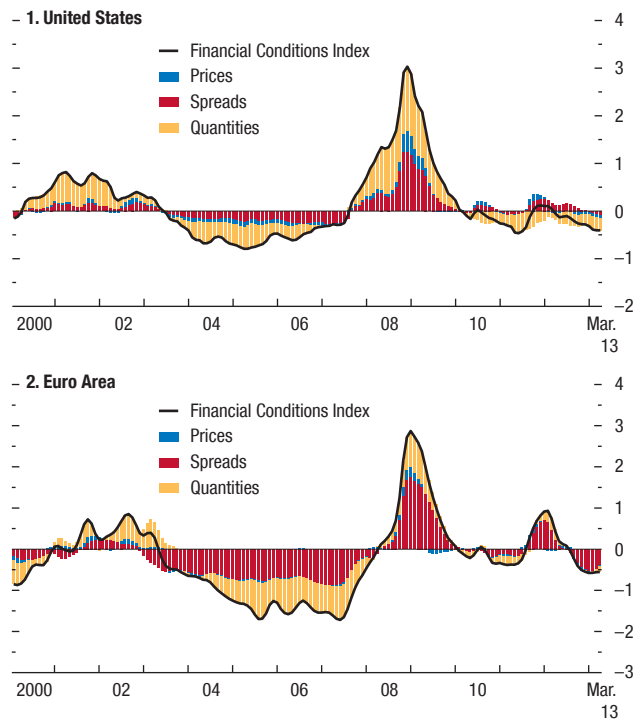


Figure 1.5. Financial Conditions Index
(Positive = tightening; standard deviations from average)

Financial conditions tightened sharply toward the end of 2011 as the economic outlook deteriorated and tensions rose in the euro area. More recently, market confidence has been bolstered by improved growth prospects and stronger policy actions. Risk spreads have narrowed as a result. Financial conditions are expected to continue easing as global growth continues to gain traction.



Source: IMF staff calculations.