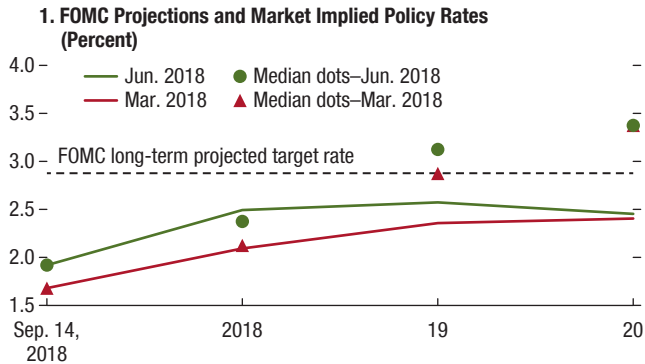
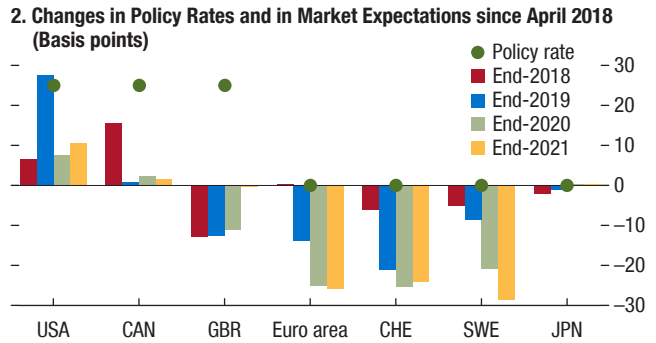


Figure 1.2. Global Financial Conditions

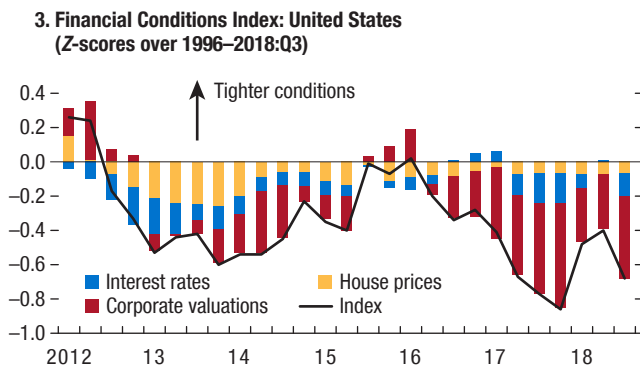
Market expectations of U.S. rates have drifted higher but remain below the Federal Reserve's dot plot.



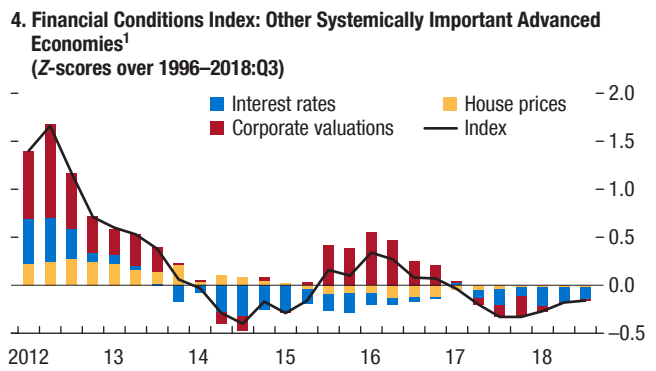
In other advanced economies, markets have pushed out the expected timing of interest rate hikes.



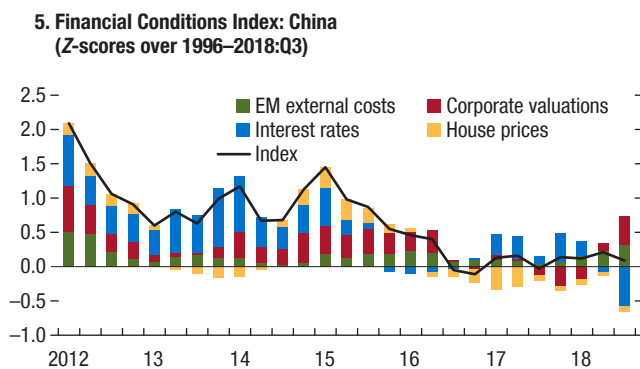
Despite continued monetary policy tightening, U.S. financial conditions have eased further.



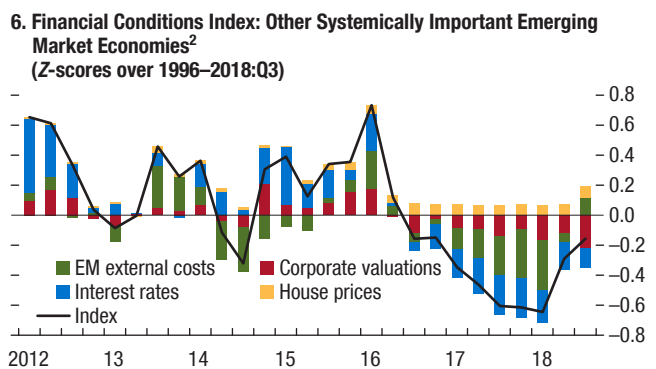
In the euro area and other systemically important advanced economies, financial conditions have remained relatively easy.



In China, monetary policy easing has offset the impact of external pressures.



In contrast, financial conditions in other emerging markets have tightened.



Sources: Bloomberg Finance L.P.; Haver Analytics; IMF, Financial Soundness Indicators; official sources; and IMF staff calculations.

Note: The construction of the Financial Conditions Indices is explained in Online Annex 1.1. Panel 1 projections refer to the end of the period. In panels 3–5, values less than zero represent financial conditions that are loose relative to the historical average of 1996 or earliest data available through 2018; the interest rates category includes the real short-term rate, the term spread for the United States and Germany or the sovereign spread on local currency debt for other countries, and the interbank spread; the corporate valuations category includes the equity market price-to-book ratio, the local currency corporate bond spread, and the implied volatility index, where available; and the emerging market external costs category includes the sovereign spread and the corporate spread on external debt, and the external debt-weighted exchange rate. Financial conditions relate to price of risk in 29 jurisdictions with systemically important financial sectors (<https://www.imf.org/external/np/fsap/mandatoryfsap.htm>). Data labels in the figure use International Organization for Standardization (ISO) country codes. EM = emerging market; FOMC = Federal Open Market Committee.

¹“Other systemically important advanced economies” include Australia, Canada, Denmark, Hong Kong SAR, Japan, Korea, Norway, Singapore, Sweden, Switzerland, and the United Kingdom.

²“Other systemically important emerging market economies” include Brazil, India, Mexico, Poland, Russia, and Turkey.