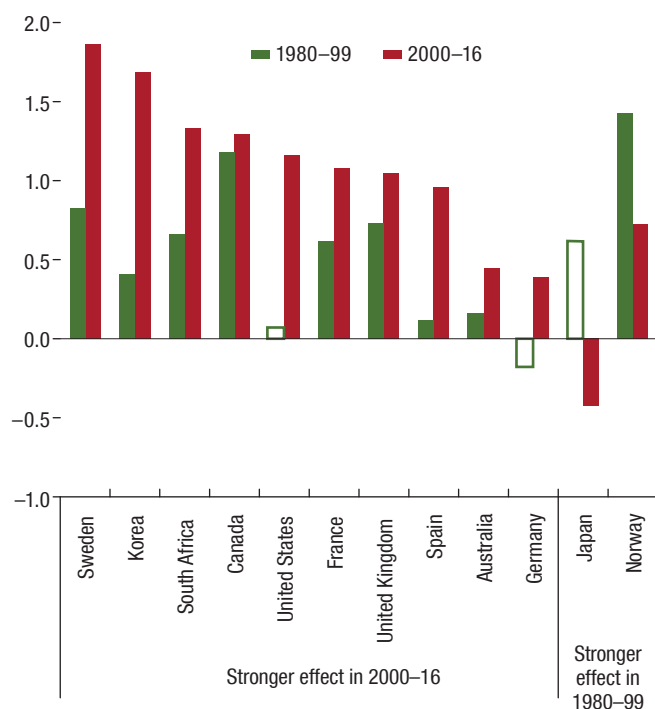


Figure 2.2. Trends in the Transmission of Monetary Policy
(Percent)

In most countries, the strength of the transmission of monetary policy has increased since 2000, especially in Korea, South Africa, Spain, Sweden, and the United States.



Sources: Federal Reserve System; Haver Analytics; IMF, International Financial Statistics database; Organisation for Economic Co-operation and Development; and IMF staff estimates.

Note: The figure shows the peak response of real GDP to a 1 percentage point decrease in the monetary policy rate. The response is estimated from a vector autoregression (VAR) of log real GDP, the log GDP deflator, the log of the nominal effective exchange rate, and the nominal interest rate (shadow policy rates for countries using unconventional monetary policy) using four lags (and a reunification dummy for Germany). The responses are identified using a Cholesky decomposition in which the interest rate is ordered last. Solid bars mean that the response is statistically significant using 68 percent confidence intervals. See Annex 2.1 for details.