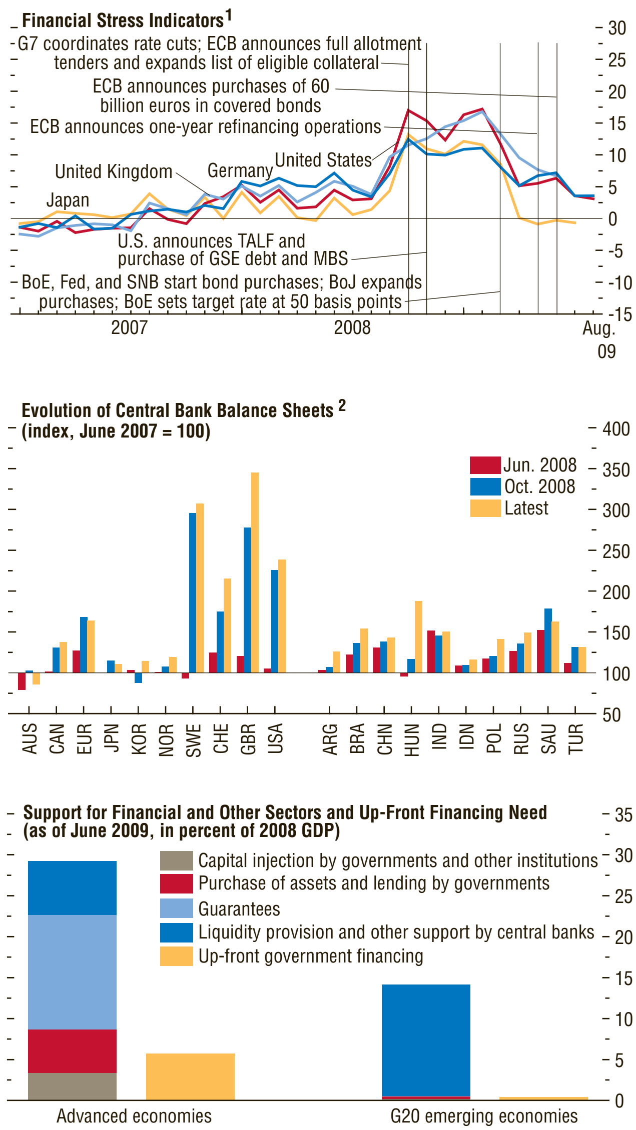
Figure 1.8. Public Support to Ease Financial Stress

Extraordinary public intervention has helped reduce financial market turmoil. As a result, balance sheets of central banks have expanded considerably, and governments have incurred significant actual and contingent expenditures.



Sources: Horton, Kumar, and Mauro (2009), Table 4; and IMF staff calculations.

[1]Financial stress indicators consist of seven financial market variables, including the beta of banking stocks, the TED spread, the slope of the yield curve, corporate bond spreads, stock market returns, stock market volatility, and exchange rate volatility. BoE: Bank of England; BoJ: Bank of Japan; ECB: European Central Bank; Fed: Federal Reserve; GSE: government-sponsored enterprises; MBS: mortgage-backed securities; SNB: Swiss National Bank; TALF: Term Asset-Backed Securities Loan Facility.

[2]AUS: Australia; CAN: Canada; EUR: Euro area; JPN: Japan; KOR: Korea; NOR: Norway; SWE: Sweden; CHE: Switzerland; GBR: United Kingdom; USA: United States; ARG: Argentina; BRA: Brazil; CHN: China; HUN: Hungary; IND: India; IDN: Indonesia; POL: Poland; RUS: Russia; SAU: Saudi Arabia; TUR: Turkey.