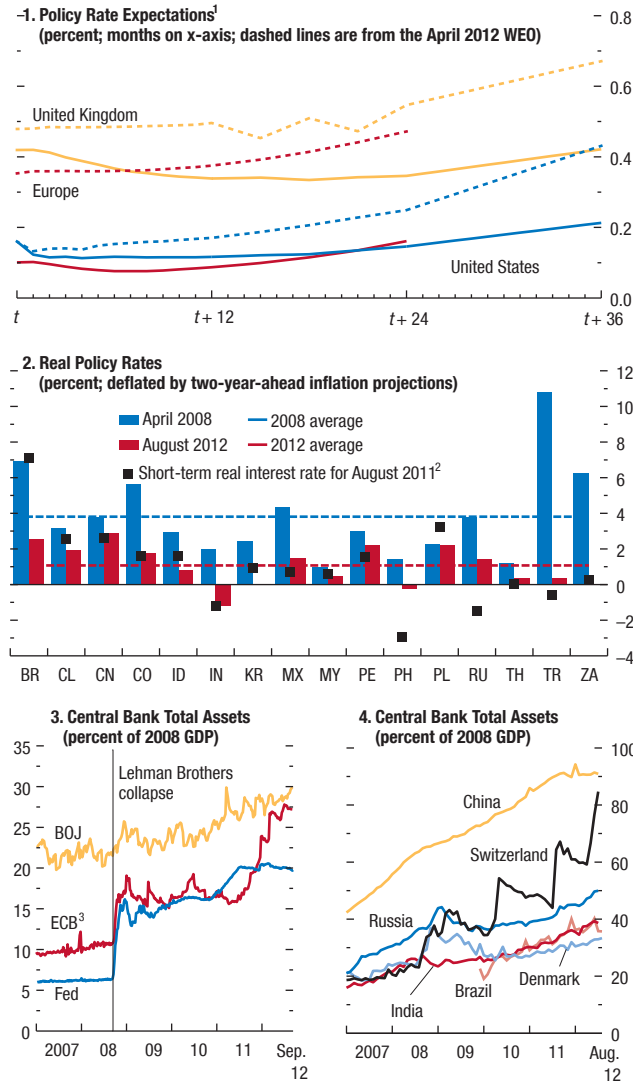


Figure 1.5. Monetary Policies

Expectations are for very accommodative monetary policies in the major advanced economies. Real interest rates are also low in many emerging market and developing economies, and several economies have cut their policy rates in the past six months. However, only a few economies implemented large cuts. Over the medium term, policy rates will have to be raised, but considering the downside risks to the outlook, many central banks can afford to hold steady now or ease further. In advanced economies, central bank balance sheets have expanded appreciably, but their size is not unusual compared with those of various emerging market economies.



Sources: Bloomberg Financial Markets; and IMF staff estimates.
 Note: BR = Brazil; CL = Chile; CN = China; CO = Colombia; ID = Indonesia; IN = India; KR = Korea; MX = Mexico; MY = Malaysia; PE = Peru; PH = Philippines; PL = Poland; RU = Russia; TH = Thailand; TR = Turkey; ZA = South Africa. BOJ = Bank of Japan; ECB = European Central Bank; Fed = Federal Reserve.
¹Expectations are based on the federal funds rate for the United States, the sterling overnight interbank average rate for the United Kingdom, and the euro interbank offered forward rates for Europe; updated September 13, 2012.
²Bank Indonesia rate for Indonesia; the Central Bank of the Republic of Turkey's effective marginal funding cost estimated by IMF staff for Turkey.
³ECB calculations based on the Eurosystem's weekly financial statement.