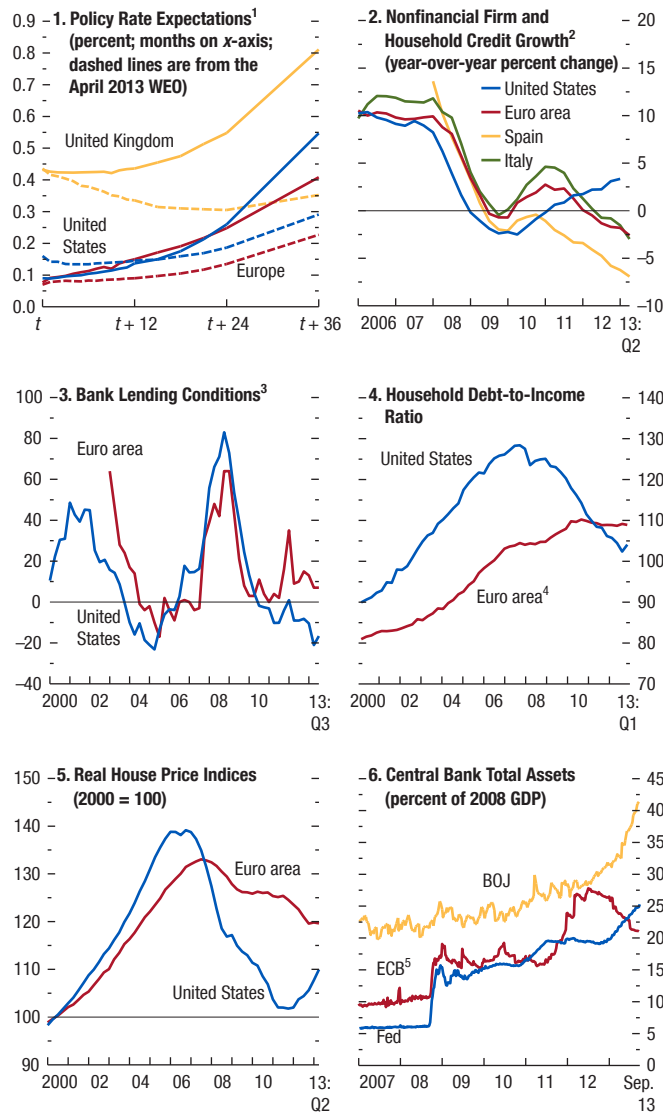


Figure 1.4. Monetary Conditions in Advanced Economies

Expectations for policy rate hikes in the major advanced economies have been pulled forward. Lending continues to contract in the euro area, especially the periphery, but is rising in the United States. Lending conditions are still tightening in the euro area, even if to a diminishing extent, while they are continuing to loosen in the United States. The Federal Reserve's and Bank of Japan's balance sheets continue to expand, while that of the ECB contracts as periphery banks repay their long-term loans. House prices are coming back in the United States.



Sources: Bank of America/Merrill Lynch; Bank of Italy; Bank of Spain; Bloomberg, L.P.; Haver Analytics; Organization for Economic Cooperation and Development; and IMF staff calculations. Note: 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 rate for Europe; updated September 24, 2013.

²Flow of funds data are used for the euro area, Spain, and the United States. Italian bank loans to Italian residents are corrected for securitizations.

³Percent of respondents describing lending standards as tightening "considerably" or "somewhat" minus those indicating standards are easing "considerably" or "somewhat" over the previous three months. Survey of changes to credit standards for loans or lines of credit to firms for the euro area; average of surveys on changes in credit standards for commercial and industrial and commercial real estate lending for the United States.

⁴Euro area includes the subsector employers (including own-account workers).

⁵ECB calculations are based on the Eurosystem's weekly financial statement.