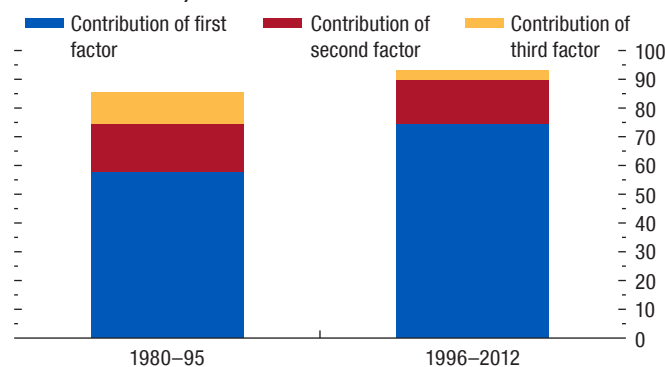
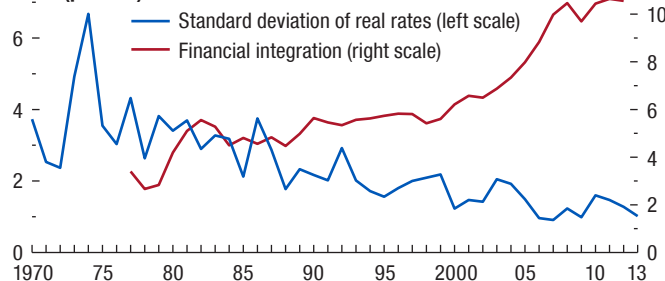


**Figure 3.4. Common Factors in Real Interest Rates**

**1. Principal Component Analysis of Long-Term Real Interest Rates  
(percent, share of real-rate variation explained by the first three common factors)**



**2. Convergence of Real Interest Rates and Financial Integration  
(percent)**



Sources: Bank for International Settlements; Bloomberg, L.P.; Haver Analytics; IMF, International Financial Statistics database; Organization for Economic Cooperation and Development; World Bank, World Development Indicators database; and IMF staff calculations.

Note: Financial integration is constructed as banks' bilateral assets and liabilities as a share of countries' GDP.