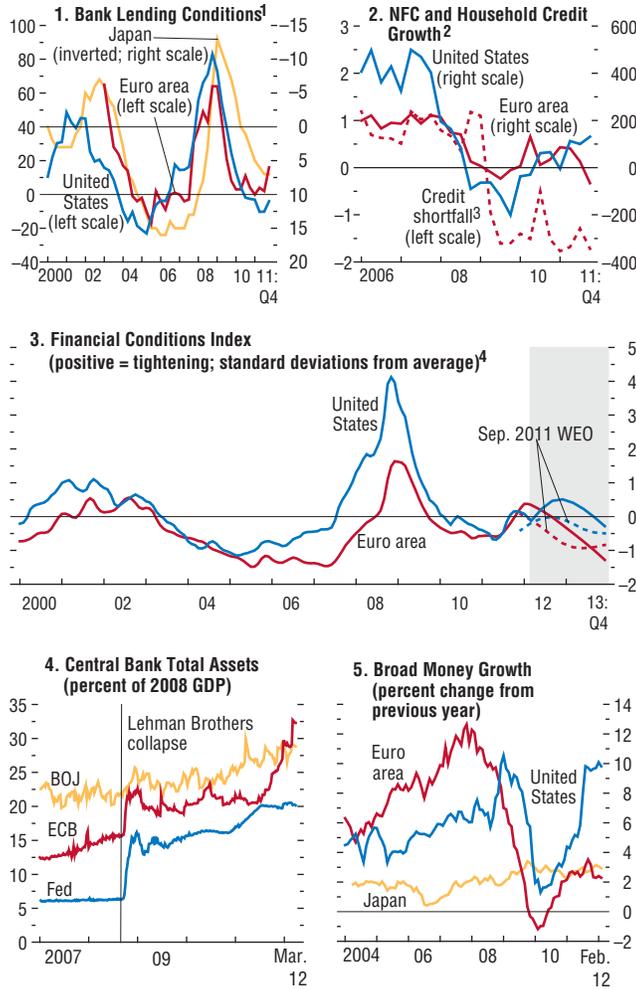


**Figure 1.5. Credit Market Conditions**

Lending conditions tightened noticeably in the euro area recently, and credit growth slumped in late 2011. Developments were more positive in the United States and Japan. Looking ahead, conditions can be expected to ease somewhat. While the central bank balance sheet has expanded noticeably in the United States and the euro area, it has not done so in Japan. Broad money growth has remained very subdued in the euro area and Japan but has picked up in the United States, consistent with improving activity.



Sources: Bank of Japan (BOJ); Bloomberg Financial Markets; European Central Bank (ECB); Federal Reserve (Fed); Haver Analytics; and IMF staff estimates.

<sup>1</sup>Percent of respondents describing lending standards as tightening “considerably” or “somewhat” minus those indicating standards as 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/industrial and commercial real estate lending for the United States; diffusion index of “accommodative” minus “severe,” Tankan survey of lending attitude of financial institutions for Japan.

<sup>2</sup>NFC: nonfinancial corporation. Level change in amounts outstanding in billions of local currency units.

<sup>3</sup>Credit shortfall is the residual from a regression of real private sector credit growth on real GDP growth for the euro area.

<sup>4</sup>Historical data are monthly, and forecasts are quarterly.