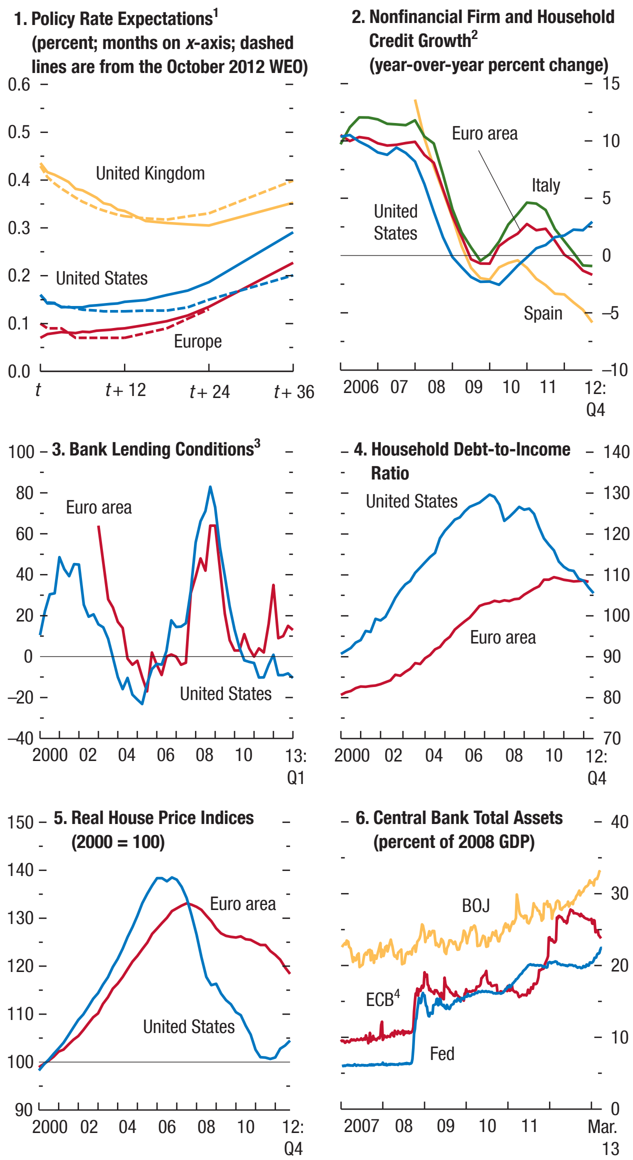
Figure 1.4. Monetary Conditions and Bank Lending

Monetary policy rates are forecast to remain very low over the next three years. In the euro area, credit is contracting, reflecting mainly conditions in the periphery, and lending conditions continue to tighten. By contrast, in the United States credit growth is picking up again, and lending conditions have begun to ease, and this is being helped by recovering house prices and improved household balance sheets.



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.

[1]Expectations 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 April 2, 2013.

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

[3]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 and industrial and commercial real estate lending for the United States.

[4]ECB calculations are based on the Eurosystem’s weekly financial statement.