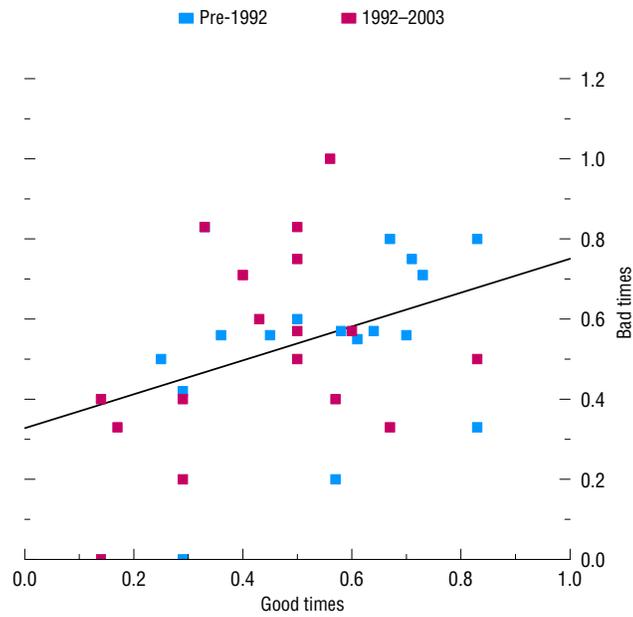


Figure 2.25. Procyclicality in Good and Bad Times¹

Procyclical loosening (in good times) appears to lead to procyclical tightening (in bad times).



Source: IMF staff calculations.

¹Evidence based on the euro area countries (excluding Luxembourg), Australia, Denmark, Sweden, the United Kingdom, and the United States. Good and bad times are defined as growth above or below potential, respectively.