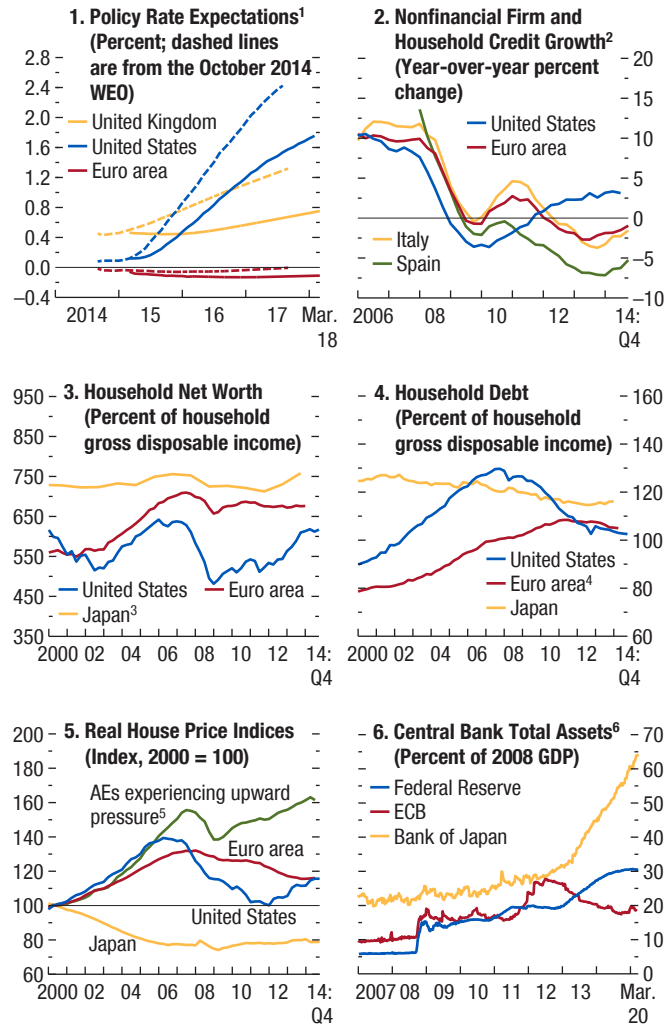


Figure 1.3. Advanced Economies: Monetary Conditions

The decline in headline inflation, together with changes in the growth outlook and the announcements by the Bank of Japan in October and the European Central Bank in January of larger-than-expected asset purchase programs, has strengthened expectations of a protracted divergence in monetary policy stances across the main advanced economies, widening long-term interest differentials.



Sources: Bank of Spain; Bloomberg, L.P.; European Central Bank (ECB); Haver Analytics; Organisation for Economic Co-operation and Development; and IMF staff calculations.

¹Expectations are based on the federal funds rate futures for the United States, the sterling overnight interbank average rate for the United Kingdom, and the euro interbank offered forward rate for the euro area; updated March 27, 2015.

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.

³Interpolated from annual net worth as a percentage of disposable income.

⁴Includes subsector employers (including self-employed workers).

⁵Upward-pressure countries are those with a residential real estate vulnerability index above the median for advanced economies (AEs): Australia, Austria, Belgium, Canada, Estonia, France, Hong Kong SAR, Israel, New Zealand, Norway, Portugal, Sweden, and the United Kingdom.

⁶Data are through March 20, 2015, except in the case of the ECB (March 6, 2015). ECB calculations are based on the Eurosystem's weekly financial statement.