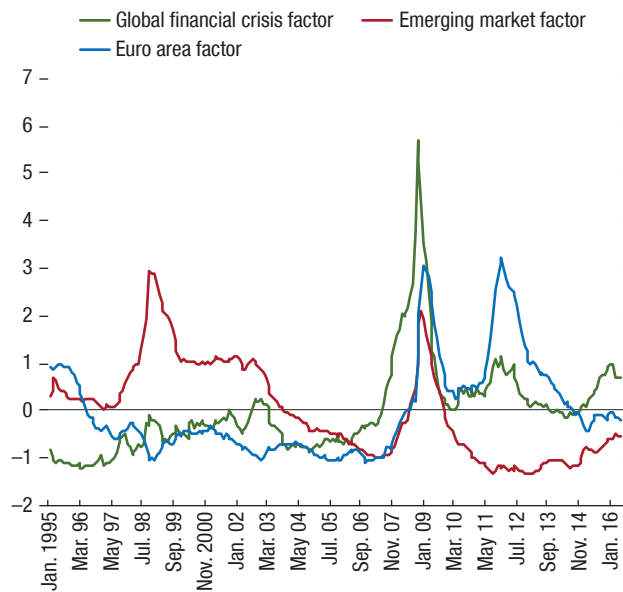**Figure 3.5. Three-Factor Model Based on Financial Conditions Index, 1995–2016**
(Standard deviations)

Financial conditions around the world seem to be characterized by three global factors.

Source: IMF staff estimates.
Note: Higher values indicate tighter-than-average financial conditions. Based on a dynamic factor model, the figure displays three latent factors that summarize the main patterns across countries' financial conditions indices.