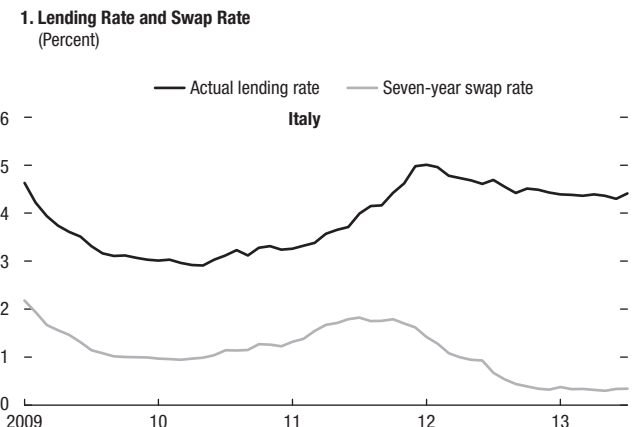
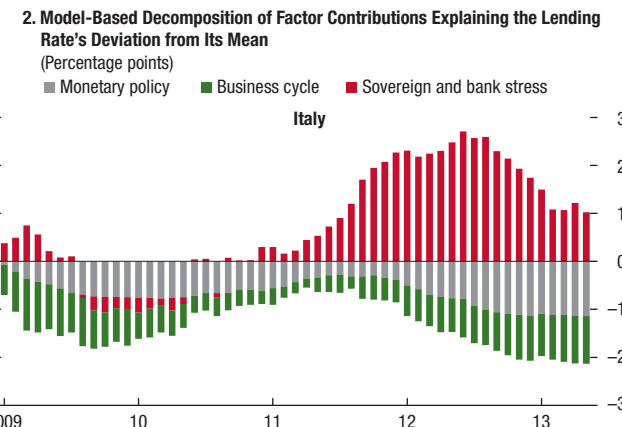


Figure 1.50. Interest Rates on Small Bank Loans and Model-Based Factor Decomposition

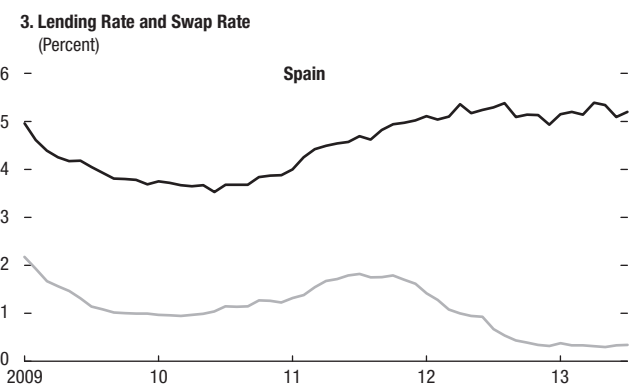
Italian lending rates on small loans have remained elevated despite a significant decline in swap rates...



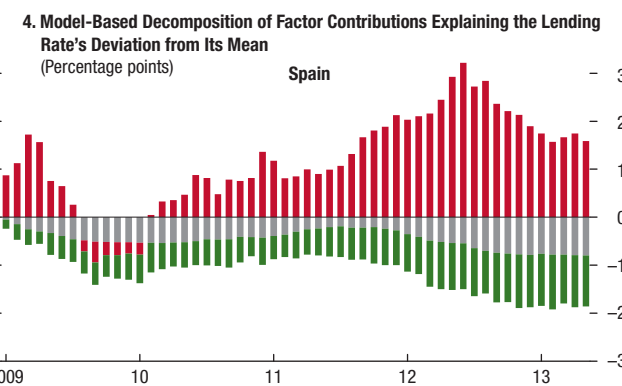
...reflecting elevated banking stress and residual sovereign pressures.



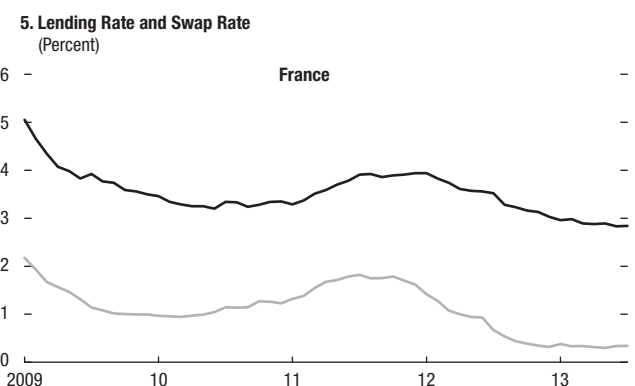
In Spain, the spread between the interest rate on small loans and the swap rate has also widened well beyond its historical norm...



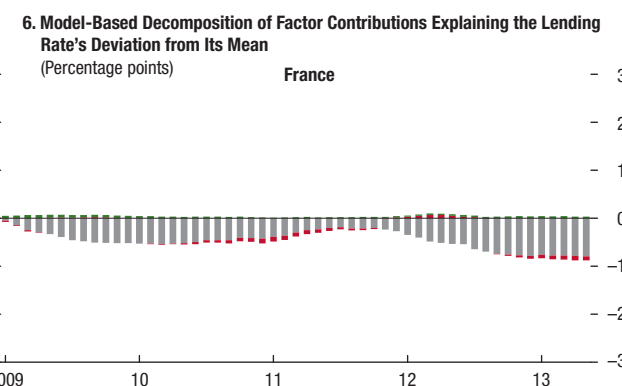
...predominantly due to persistent banking strains...



... while in France, it remained constant.



In France, the transmission from monetary policy is the dominant factor keeping lending rates low.



Source: IMF staff estimates.