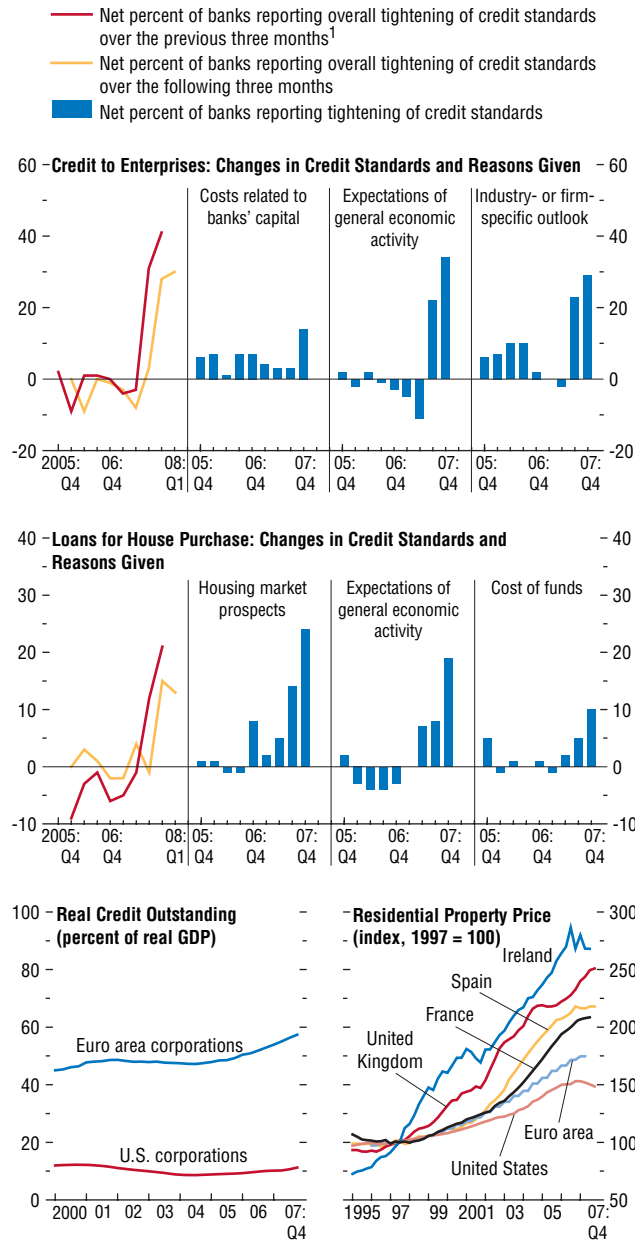


Figure 2.2. Western Europe: Tightening Lending Standards

Lending standards tightened in the euro area at the end of 2007, for reasons including deteriorating expectations about the economic outlook, sector-specific factors, and weak housing market prospects. Constraints on lending pose risks because corporations in Europe tend to rely more on bank financing, and residential property prices are at elevated levels.



Sources: European Central Bank (ECB); Eurostat; OECD; and IMF staff calculations.
¹Credit standard is defined as the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably." Residential property indices deflated by the consumer price indices are from the OECD for countries, and from the ECB for the euro area.