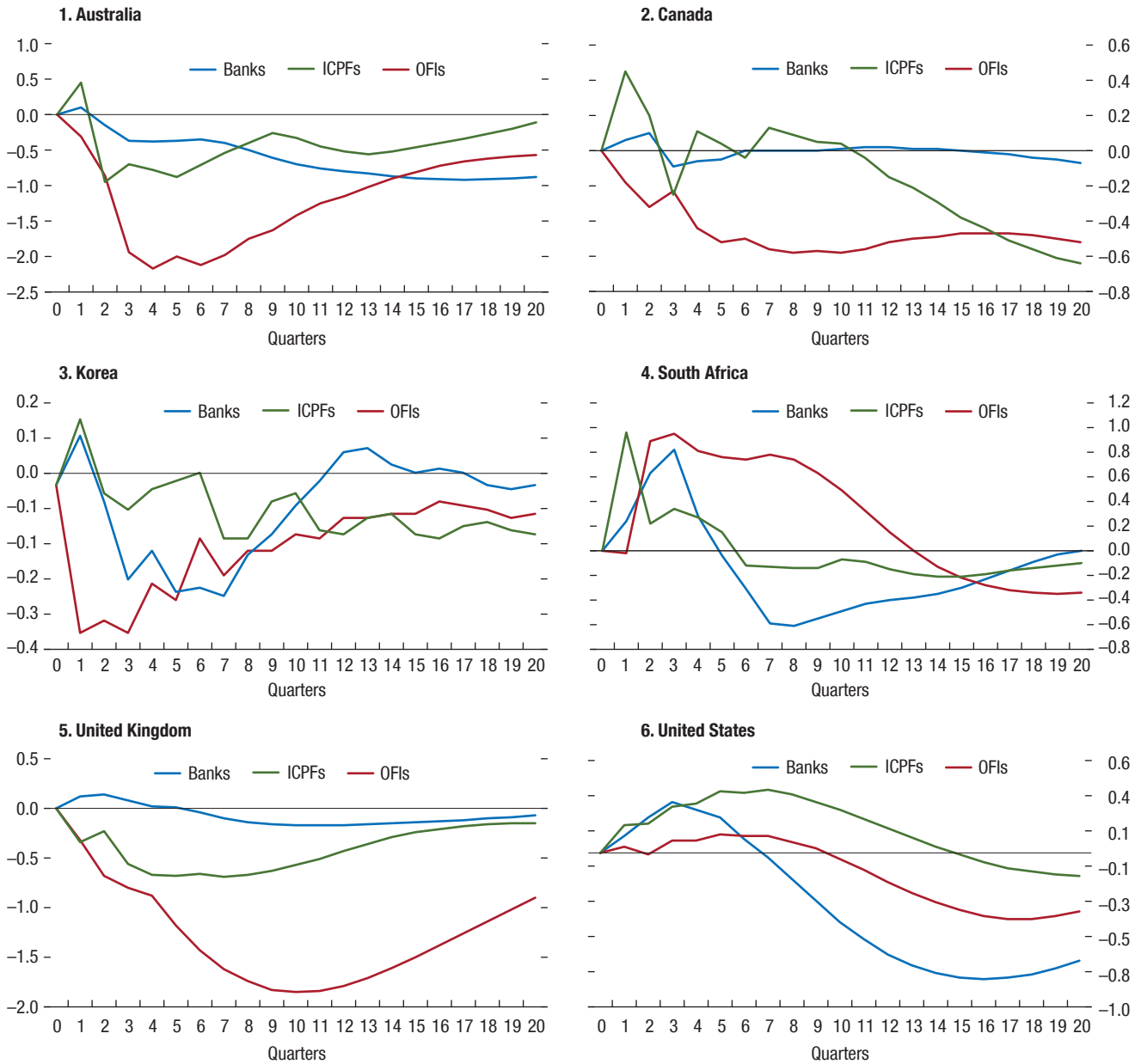


Figure 2.7. Response to a Monetary Policy Contraction
(Percent)

Bank assets decline after a monetary contraction, but with a considerable lag. The response of insurance companies and pension funds (ICPFs) and other financial intermediaries (OFIs) varies across countries.



Sources: Bank of Canada; Bank of England; Bank of Korea; Federal Reserve System; Haver Analytics; Organisation for Economic Co-operation and Development; Reserve Bank of Australia; Reserve Bank of South Africa; and IMF staff estimates.

Note: The figure shows the response of total assets by sector to a 1 percent increase in the monetary policy rate. Banks' assets in the United Kingdom include those of the Bank of England. Monetary policy is measured with a shadow policy rate for countries using unconventional monetary policy. The responses are identified using a Cholesky decomposition in which the interest rate is ordered last. The results are robust to many possible sources of misspecification. ICPFs = insurance companies and pension funds; OFIs = other financial intermediaries. See Annex 2.1 for details.