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Nota di contenuto	Contents; I. Introduction and Literature Review; II. Building a Better Financial Conditions Index; A. Why VAR and IRF?; B. Whose Lending? Which Standards?; Figures; 1. Lending Standards and GDP Growth; Tables; 1. Lending Standards and Real Activity: Correlations; 2. Lending Standards and Financial Variables: Correlations; 2. Response of GDP to Lending Standards; C. Which Other Variables Enter the Mix?; 3. Response of GDP to Risk-Free Interest Rates; 4. Response of GDP to Default Risk and Volatility; 5. Response of GDP to Asset Prices; 6. Lending Standards and the High Yield Spread III. Financial Conditions and GrowthA. What are the Guts of the FCI?; B. Which Financial Conditions Matter?; 7. Response of GDP to Financial Shocks; 8. Response of Financial Conditions to Lending Standards; C. What Role for Credit Aggregates?; 9. Credit Availability and the Impact of Monetary Policy on Growth; 10. Response of GDP to Credit Aggregates; D. What is the FCI's Contribution to Growth?; 3. Financial Conditions and Real Activity: Correlations and Variance Decompositions; 11. Financial Conditions Index; 12. Financial Shocks and Contributions to the FCI E. Where Do Financial Conditions Hit Hardest?13. Individual Contributions to the FCI; 14. Response of Components of Demand to Financial Shocks; F. Can the FCI See Into the Future?; 15. Leading Financial Conditions Index; IV. Conclusions; References
Sommario/riassunto	This paper uses vector autoregressions and impulse-response functions to construct a U.S. financial conditions index (FCI). Credit availability—proxied by survey results on lending standards—is an important driver of the business cycle, accounting for over 20 percent of the typical contribution of financial factors to growth. A net tightening in lending standards of 20 percentage points reduces economic activity by ¾ percent after one year and 1¼ percent after two years. Much of the impact of monetary policy on the economy also works through its effects on credit supply, which is evidence supporting the existence of a credit channel of monetary policy. Shocks to corporate bond yields, equity prices, and real exchange rates also contribute to fluctuations in the FCI. This FCI is an accurate predictor of real GDP growth, anticipating turning points in activity with a lead time of six to nine months. 15B.