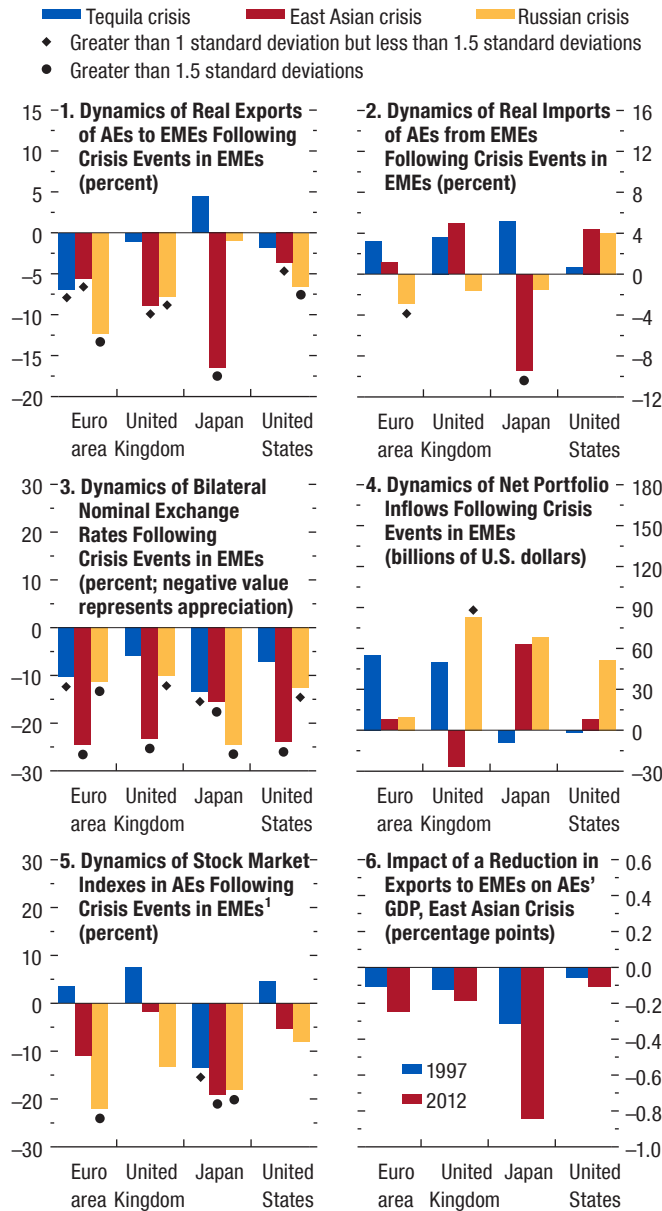


### Figure 2.SF.3. Event Studies around Downturn Episodes in Emerging Market Economies

(Peak effect in four quarters)

Event studies built around major episodes of financial turmoil in emerging market economies (EMEs) point to the sensitivity of import demand in those economies during these events. The sharp reduction in exports from advanced economies (AEs) to emerging market economies during these episodes came hand in hand with substantial appreciation of their currencies, in part explained by a spike in capital inflows. The dynamics of stock markets during these episodes also shed light on the importance of financial markets in transmitting these shocks to emerging market economies. Given that trade and financial linkages are now stronger, similar growth downturn events are likely to have sizable effects on most exposed advanced economies.



Sources: Haver Analytics; IMF, Direction of Trade Statistics database; and IMF staff calculations.

<sup>1</sup>Standard & Poor's 500 for United States, Nikkei 225 for Japan, FTSE 100 for United Kingdom, and average of Deutscher Aktien Index and Société des Bourses Françaises 120 for the euro area.