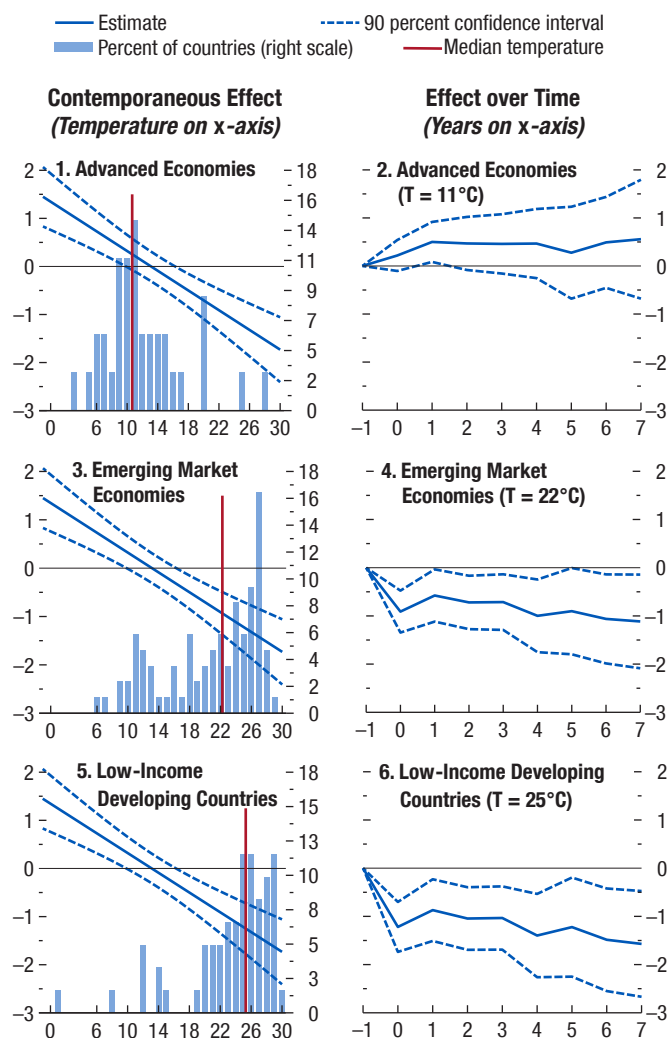


Figure 3.7. Effect of Temperature Increase on Real per Capita Output (Percent)

In relatively hot countries, such as most low-income developing countries, an increase in temperature has a negative, statistically significant, and long-lasting effect on per capita output.



Source: IMF staff calculations.

Note: Left-hand-side panels superimpose the contemporaneous effect of a 1°C increase in temperature on per capita output at different temperature levels computed as per equation (3.3) over the distribution of average annual temperatures recorded in 2015 in advanced economies (panel 1), emerging markets (panel 3), and low-income developing countries (panel 5). The blue lines show the point estimates and 90 percent confidence intervals, while the light blue bars denote the percent of countries at each temperature level. The vertical red line is the median temperature for the country group. Right-hand-side panels depict the impulse response of per capita output to a 1°C increase in temperature estimated at the median temperature of advanced economies (panel 2), emerging markets (panel 4), and low-income developing countries (panel 6). Horizon 0 is the year of the shock. T = temperature.