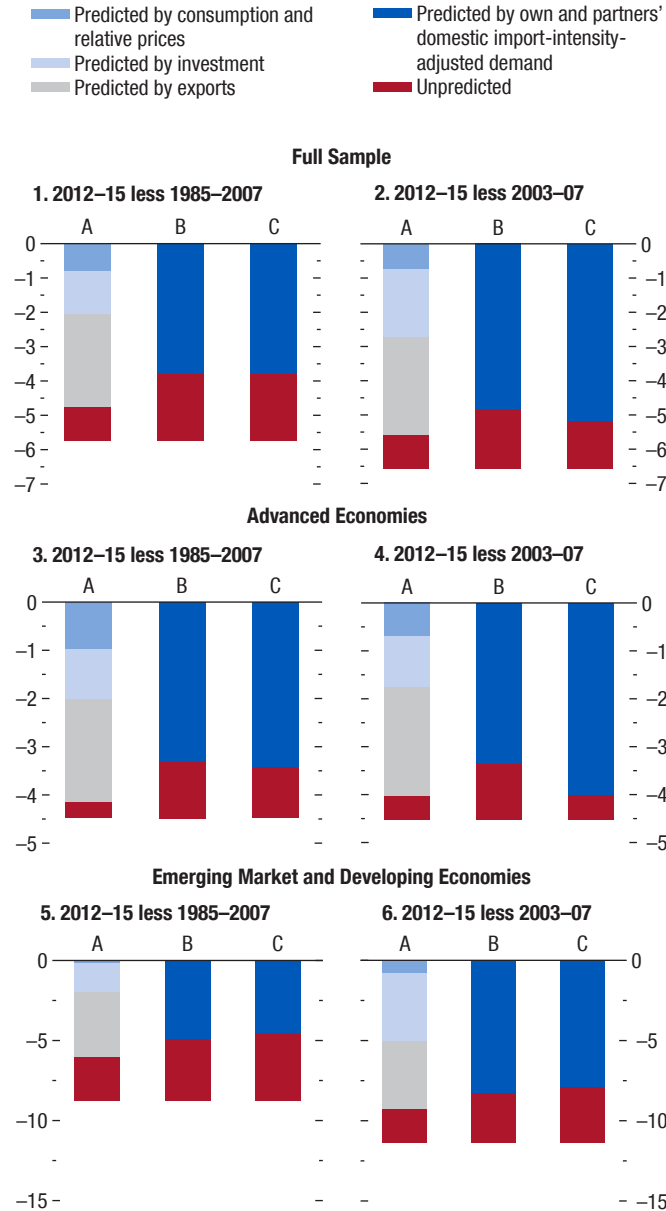**Figure 2.7. Empirical Model: Decomposing the Slowdown in Real Goods Import Growth**
(Percentage points)

The empirical model can predict a sizable fraction of the difference in average real goods import growth between 1985–2007 or 2003–07 and 2012–15. The lion's share of the slowdown in import growth can be attributed to the weakness in investment and external demand.

Predicted by consumption and relative prices
Predicted by investment
Predicted by exports
Predicted by own and partners' domestic import-intensity-adjusted demand
Unpredicted

Full Sample

1. 2012–15 less 1985–2007

2. 2012–15 less 2003–07

Advanced Economies

3. 2012–15 less 1985–2007

4. 2012–15 less 2003–07

Emerging Market and Developing Economies

5. 2012–15 less 1985–2007

6. 2012–15 less 2003–07

Source: IMF staff calculations.
Note: Bar A decomposes the difference in average real goods import growth between the two periods into portions predicted by consumption and relative prices, investment, exports, and an unpredicted residual. Bar B apportions the component predicted by exports into what can and cannot be predicted by domestic demand from trading partners, using an iterative procedure. Bar C decomposes the difference into the sum of domestic demand and external demand predicted by trading partners' domestic demand.