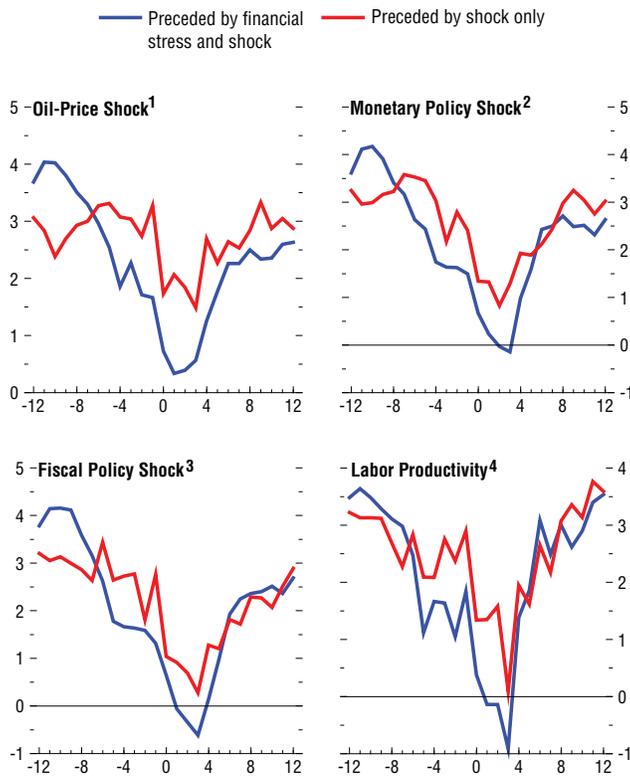


### Figure 4.11. Financial Stress and Economic Downturns: Controlling for Four Main Shocks

(Median of GDP percent change from one year earlier; start of economic contraction at  $t = 0$ ; quarters on the x-axis)

Economic downturns tend to be more severe when preceded by financial stress episodes.



Sources: Haver Analytics; IMF, Commodity Price System database; OECD, Analytic Database; OECD, *Economic Outlook* (2008); and IMF staff calculations.

<sup>1</sup>Oil prices are scaled by U.S. inflation (CPI). Oil-price shock is identified if oil price is one standard deviation above Hodrick-Prescott (HP) trend.

<sup>2</sup>Monetary policy is measured using the inverse term spread. Monetary policy shock is identified if the inverse term spread is one standard deviation above HP trend.

<sup>3</sup>Fiscal policy is measured using government net lending. Fiscal shock is identified if government net lending is one standard deviation above HP trend.

<sup>4</sup>Labor productivity of the total economy is measured as the ratio of real GDP and total employment. Productivity shock is identified if labor productivity is one standard deviation below HP trend. Data are not available for Austria, Belgium, Denmark, Spain, and Switzerland.