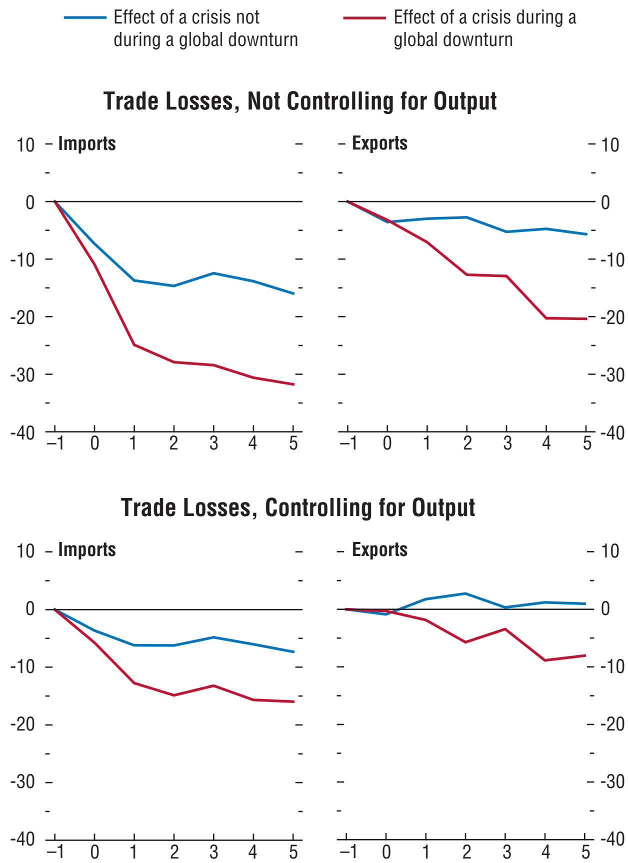
Figure 4.8. Trade Losses during Global Downturns

(Percent deviation from normal; years on x-axis; crisis begins at t = 0)

Import and export losses are higher after crises that occur during global downturns.



Source: IMF staff calculations.

Note: Lines indicate the impulse response function—the effect of a crisis on imports and exports relative to what would be predicted in the absence of a crisis. Predictions of unconditional losses are based on contemporaneous and lagged crises, country and time dummies, and interactions of contemporaneous and lagged crises with years of global downturns. Predictions of conditional losses are based on a collapsed gravity model in changes, with contemporaneous and lagged crises, home and trade-weighted partner output, a trade-weighted partner crisis dummy, country and time dummies, and interactions of contemporaneous and lagged crises with years of global downturns. The definition of global downturns follows Freund (2009), and includes 1975, 1982, 1991, 2001, and 2008.