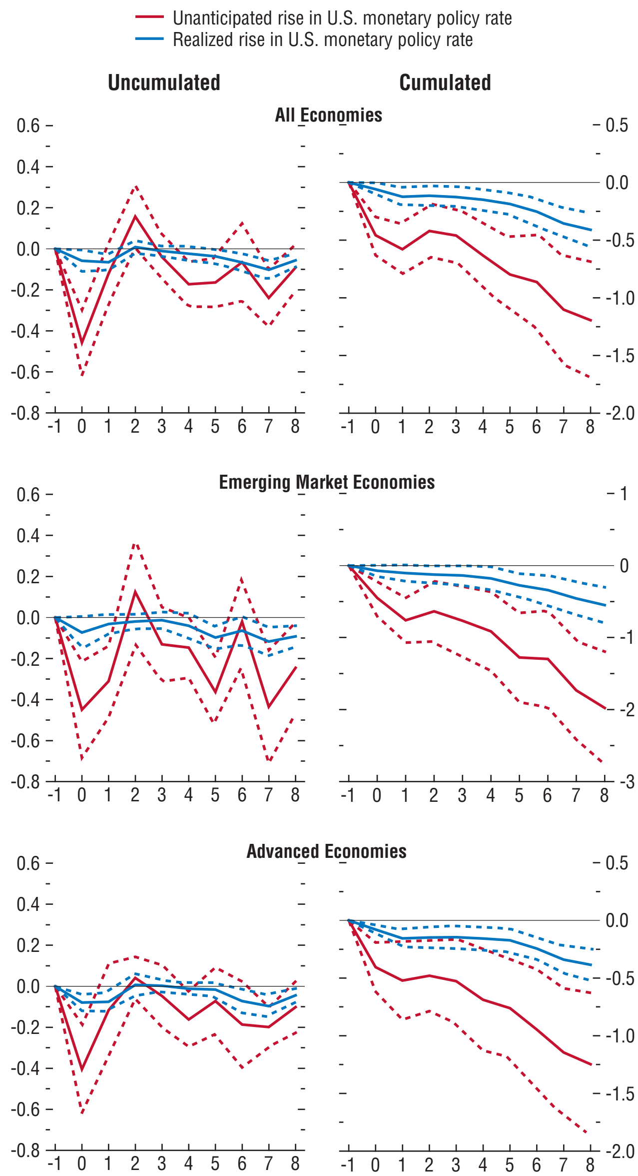
Figure 4.16. Difference in the Response of Net Private Capital Flows to U.S. Monetary Tightening across Economies

(Percent of GDP)

An unanticipated U.S. monetary tightening has an immediate and statistically significant negative additional effect on net flows to economies that are directly financially exposed to the United States compared with economies that are not. The additional impact under a realized U.S. rate hike is much smaller.



Source: IMF staff calculations.
Note: See Appendix 4.1 for the sample of economies included in the analysis. The dependent variable is total net private capital flows in percent of GDP. The *x*-axis shows the number of quarters after an impulse. Impulses at quarter zero are normalized to a 1 standard deviation unanticipated rate rise for the economy at the group's average financial exposure. The underlying impulse is indicated in the legend. Dashed lines indicate one standard error bands. The regression specification and the set of control variables are given in Appendix 4.4.